CONNECTING THE WORKFORCE INVESTMENT SYSTEM TO SMALL AND EMERGING BUSINESSES

Prepared for the U.S. Department of Labor,
Employment and Training Administration, by
Research Institute for Small & Emerging Business
(RISEbusiness)

April 2004

Contract # RISE-ES-12556-02-30
Employment and Training Administration
United States Department of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210

Acknowledgements

Executive Summary

I **Introduction** **1**

The Role of RISEbusiness 3

Organization of this Report 4

II **Project Methodology** **5**

Research Methods and Steps 5

Site Visit Criteria 6

III **The Importance of Small and Emerging Businesses** **11**

By Firm-Size 13

By Industry Sector 15

By Stage of Growth or Development 19

IV **Small and Emerging Businesses and the Public Workforce System** **21**

Expectations and Needs of Small and Emerging Businesses 21

Barriers and Challenges for Small and Emerging Businesses in Accessing the Public Workforce System 25

Barriers and Challenges for the Public Workforce System in Reaching and Engaging Small and Emerging Businesses 27

V **State and Local Workforce System Strategies and Responses** **30**

Vignettes **31**

Oklahoma Workforce Investment Board and Employment Security Commission 32

The Concho Valley, TX Workforce Development Board 32

Eastern Kentucky CEP (Hazard, KY) 33

Greater Long Beach Workforce Development Board (Long Beach, CA) 33

WorkForce Essentials (Clarksville, TN) 34

Three Rivers Workforce Investment Board (Pittsburgh, PA) 35
Iowa Workforce Development (IWD) 35
Illustrative Case Examples 37
WorkSource, First Coast Workforce Development (Jacksonville, FL) 37
Workforce New York, New York State's Workforce Development System 46
North Valley (NOVA) Job Training Consortium (Sunnyvale, CA) 54
Human Resource Investment Council, State of Vermont 63
San Diego Workforce Partnership (San Diego, CA) 71
The WorkPlace, Inc., Southwestern Connecticut's Regional Workforce Development Board (Bridgeport, CT) 78
Synthesis: Promising Practices to Replicate or Adopt 85

VI **Recommendations for Action 90**
Recommendations for Local WIBs and One Stop Career Center Operators 90
Recommendations for State WIBs and Agencies 92
Recommendations for Federal Statutory and Administrative Actions 94
Recommendations for Future Research and Demonstration Projects on Promising Practices 97

Appendices 101
Appendix A: References, Literature Review, and Research Abstracts 101
Appendix B: RISEbusiness Mission, Board, and Strategic Partners 125
Appendix C: Project Interviewees and Resources 129
Appendix D: Interview Questions (Business Owners) 133
Appendix E: Phone Interview Questions (Workforce Leaders) 136
Appendix F: Site Visit Questions 139
Appendix G: RISEbusiness Project Team 141

ACKNOWLEDGEMENTS

The authors would like to express our sincere appreciation to the RISEbusiness officers, directors, and strategic partners who assisted us in our work. Their visions and insights contributed substantially to the understanding of small and emerging businesses and their thoughts on the public workforce investment system.

The many interviewees and expert resources cited in Appendix C provided invaluable information about effective strategies and practices. We hope that this report captured that information in a manner that is useful to other states and communities interested in the workforce needs of small and emerging businesses.

We also wish to acknowledge the following leadership and staff from the Employment and Training Administration for their support, encouragement, and assistance with all matters, from administrative and technical to substantive and policy-oriented issues, throughout the project: Sue Marie Allison; Gay Gilbert; and, Gretchen Sullivan.

Finally, the project team would like to thank our colleagues for their consistent and reliable help pointing us in the right direction and helping us with the content as well as the design and layout of the report.

Introduction

Small and emerging businesses are a powerful force in the U.S. economy. Over the last two decades, research data from the federal government and innumerable private sources have documented repeatedly the central role that small and emerging businesses play in job creation and economic growth. They employ the vast majority of workers, serve as a critical entry point to the workforce for most Americans, and provide significant skill training and work experience that help workers advance in the labor market.

This report is about connecting these small and emerging businesses (occasionally referred to herein as "SEBs") to the resources and services available through the public workforce system. For purposes of this report, "public workforce system" refers to the extensive network of public and private agencies and organizations that are collaborating in order to enhance the skills and knowledge of the workforce and workplace. Small and emerging businesses constitute one segment of the marketplace of employers that, historically, the public workforce system has not understood well nor served effectively. In June 2002, the U.S. Department of Labor's (DOL) Employment and Training Administration (ETA) funded the Research Institute for Small & Emerging Business (RISEbusiness) to conduct the first in-depth research project to increase knowledge and understanding of the special workforce needs of small and emerging businesses, and to examine how the public workforce system is responding to address those needs.

Under the Workforce Investment Act (WIA) of 1998, Congress intended that American business play an integral role in the design of the public workforce development system, and that the system serve the business community as a primary customer. DOL's investment in this research is one in a series of strategies employed by ETA over the last several years to increase the system's responsiveness to businesses — the demand side of the labor market. Through this research project and the complementary ETA initiatives, it is apparent that the public workforce system offers services and resources that potentially could make a critical difference in how SEBs respond to these challenges and solve complex labor market problems. RISEbusiness recognizes that the need for the public workforce system is greater today than ever before. In addition to being the backbone of our

economy, small and emerging businesses will lead our economic recovery. Thus, particularly during the economic recovery, we must address the unique needs of SEBs to better match their skill requirements with those seeking employment. In short, small and emerging businesses' support for, access to, and utilization of the public workforce system never have been more important.

Project Methodology

This project focused on three questions that merit further research and that represent long-term strategies and pursuits:

- How do human capital needs of small and emerging businesses vary by type of business (e.g., number of employees, industry sector, stage of growth or development)?
- What types of small and emerging businesses are most inclined to use the services of the public workforce investment system, and for what services?
- How can sophisticated market-driven strategies impact the effectiveness of the public workforce investment system in providing services that meet SEBs' needs?

We sought to answer these questions by using qualitative research methodologies, including reviews of literature and research studies, interviews with business leaders and experts, as well as vignettes and more detailed case examples of workforce development agencies.

The Importance of Small and Emerging Businesses

Small and emerging businesses represent more than 99.7% of all employers, employ more than half of all private-sector employees, generate more than 50% of the U.S. Gross Domestic Product (GDP), and create most of the next new jobs in the U.S. economy. They also represent a critical point of entry and source of skills training, particularly for those workers who often are on the margin of the labor market. Small firms that are nimble, adaptable, and creative will play an increasingly important role in creating new job opportunities for America's unemployed and once again will lead the way to economic recovery.

Small and Emerging Businesses and the Public Workforce System

As noted above, we interviewed small-business owners, entrepreneurs, and executives of small-business associations who represent them.
Our interviews were structured around three major themes:

- Expectations and needs of small and emerging businesses.
- Barriers and challenges for small and emerging businesses in accessing the public workforce system.
- Barriers and challenges for the public workforce system in reaching and engaging small and emerging businesses.

At the most basic level, the expectations and needs of small and emerging businesses do not vary tremendously from those of large companies. Finding and retaining qualified workers are among the most formidable challenges facing employers today. However, finding, screening, training, and retaining qualified workers are significantly bigger challenges for the SEB sector since they lack human resources departments, large advertising budgets, as well as the time to recruit, hire, train, retain, and replace qualified workers. Also, a large company can accommodate a bad hiring decision more readily than a small or emerging business.

Many of the small and emerging businesses we interviewed had clear recommendations on specific ways that the public workforce system could help them identify, hire, and retain qualified workers through consultation and expert advice focused on:

- choosing from among various tests, assessments, and measurement tools for evaluating job candidates;
- writing job descriptions, conducting interviews, performing pre-employment assessments, hiring and firing employees, providing employee training and development, and validating a prospective employee's employment record and personal background;
- finding employees with "soft" or "work readiness" skills (i.e., literate, ethical, reliable, and loyal employees);

- creating and sustaining a healthy work environment — i.e., engaging in effective "people practices" to help realize enhanced performance outcomes and commitment from those on the job; and,
- providing proper tools and information, including information about local labor markets, to guide strategies and management decisions, including recruiting strategies and compensation policies.

Understanding the barriers and challenges facing small and emerging businesses in accessing the public workforce system requires consideration of the distinctive organizational structure and cultures in which they operate, which reflect the independent nature of the typical small-business owner and entrepreneur. Coupled with their relative isolation, these factors create unique barriers and challenges in accessing the system that are not faced by publicly-traded companies.

Notwithstanding, there are myriad opportunities for competent public-sector intervention on behalf of small and emerging businesses. In the course of our interviews, upon learning about the services, resources, and capabilities available, business owners generally agreed that the public workforce system offers significant assistance in helping them meet their expectations, needs, and the costly challenges associated with finding and developing human capital. However, reaching and engaging small and emerging businesses require that federal, state, and local workforce officials overcome several barriers. These barriers include the relatively higher cost of packaging and delivering services to small and emerging businesses, the vast diversity among companies, the lack of awareness about the system's capabilities, and skepticism about working with government-provided products and services.

State and Local Workforce System Strategies and Responses

In the course of this work, we were able to observe first-hand the early stages of how the public workforce system is adapting to the policy shift to a demand-driven system. In turn, our study provides an early assessment of how well the workforce system currently responds to the needs of small and

emerging businesses. We encountered numerous examples of creative processes, strategies, and initiatives demonstrating how the workforce system can address small and emerging businesses' needs effectively.

The vignettes and more detailed case examples in this report provide a quick glimpse into some of these approaches and illustrate how workforce entities have engaged small and emerging businesses. However, we do not intend to suggest that, in each of the examples, the states or communities have adopted a comprehensive strategy focused on addressing the needs of small and emerging businesses. On the contrary, most of the examples are NOT the result of a small-business targeted strategy. Instead, the examples illustrate the myriad ways in which the public workforce system has found ways to address those SEB needs effectively. In some cases, the strategies and business services described are part of a business outreach and services strategy that happened to be packaged and delivered in a way that small and emerging businesses found accessible and valuable. Others have targeted small and emerging businesses as part of a broader market-segmentation strategy, organizing by firm-size, industry sectors or clusters, stage of growth or development, or geography. Perhaps the common thread in these examples involves the importance of public workforce system leadership being cognizant of small and emerging businesses as strategy and resource allocation decisions are made. The vignettes and more detailed case examples in this report are drawn from a wide range of states and communities and are intended to capture what was occurring at a certain point in time, the spring and summer of 2003 when our field research as conducted.

Vignettes

1. Oklahoma Workforce Investment Board and Employment Security Commission
2. Concho Valley, TX Workforce Development Board
3. Eastern Kentucky CEP (Hazard, KY)
4. Greater Long Beach Workforce Development Board (Long Beach, CA)
5. WorkForce Essentials (Clarksville, TN)

6. Three Rivers Workforce Investment Board (Pittsburgh, PA)
7. Iowa Workforce Development (IWD)

Detailed Case Examples

1. WorkSource, First Coast Workforce Development (Jacksonville, FL)
2. Workforce New York, New York State's Workforce Development System
3. North Valley (NOVA) Job Training Consortium (Sunnyvale, CA)
4. State of Vermont
5. San Diego Workforce Partnership (San Diego, CA)
6. The WorkPlace, Inc., Southwestern Connecticut's Regional Workforce Development Board (Bridgeport, CT)

Some of these locations already have received national attention for their specific programs. Nevertheless, we approached the selected site visits from a unique angle. In our study, we aimed to develop a better understanding of the leadership, policies, governance, funding allocation, and service delivery structures that facilitated services delivery to small and emerging businesses.

Synthesis: Promising Practices to Replicate or Adopt

Short-Term Strategies

- Employer representation on and active private-sector leadership of WIBs are critical to ensuring that the system meets employer needs.
- Successful workforce agencies and boards provide business services that are relevant, accessible, measurable, and that have an immediate, real bottom-line impact for small and emerging businesses.
- Winning the confidence of the business customer means that workforce boards and agencies have to deliver services and achieve results that make a difference to small and emerging businesses and that go beyond the traditional boundaries of the workforce development system.
- Successful state and local workforce organizations interpret and apply the WIA statute and regulations with confidence, and use their authority to promote innovative program strategies and entrepreneurial behavior.

- Workforce systems that make sophisticated use of local labor market information gain the confidence of their business customers.
- Workforce systems that are most responsive to business needs place high value on consulting business customers and engaging in systematic listening processes to identify needs and opportunities.

Longer-Term Strategies

- Successful workforce boards and agencies take a strategic orientation in targeting the needs of small and emerging businesses.
- State and local workforce boards that take a systematic approach to understanding the needs of local businesses are much more likely to gain the confidence of the business community.
- By integrating services and aligning resources at the state or regional level, the public workforce system expands the options and range of solutions it can offer to small and emerging businesses, thus improving market penetration.
- Public workforce agencies must have qualified staff who understand the needs of the business customer, particularly the unique needs of small and emerging businesses, if the system is to be effective in providing services and expertise.

Recommendations for Action

A. Recommendations for Local WIBs and One Stop Career Center Operators

Recommendation #1: Demonstrate leadership. Leadership must articulate a new vision to employers and the general public, and create an environment that fosters entrepreneurial behavior.

Recommendation #2: Build staff capacity. Staff must develop skills around WIA services of interest to SEBs (e.g., recruiting, screening, pre-employment assessments, job matching, employment training), as well as access to non-WIA resources.

Recommendation #3: Follow a systematic process. At a minimum, this involves an inclusive process for data collection and analysis, collaborative planning, strategy development, implementation, and assessment of outcomes and impacts.

Recommendation #4: Segment the market in a meaningful way. Workforce leaders should incorporate market segmentation into their processes for data analysis, planning, and strategy development to ensure effective resource allocation and alignment.

Recommendation #5: Engage key small and emerging business owners. Local officials should ensure adequate representation of small and emerging businesses on WIBs, and also should engage industry and trade association officials representing SEBs.

Recommendation #6: Increase outreach efforts to small and emerging businesses. This requires more intensive investments in marketing and communications to the business customer, rethinking issues of branding and image, and packaging services to encourage use by small and emerging businesses.

B. Recommendations for State WIBs and Agencies

Recommendation #1: Exercise strong leadership. State leaders must provide clear guidance, support effective technical assistance, offer incentives for outstanding performance, thus helping local officials overcome frustrations regarding limited funding.

Recommendation #2: Make strategic investments. State officials can make strategic investments to address small and emerging business needs, including using WIA and other discretionary resources to encourage local / regional LMI research and planning.

Recommendation #3: Build capacity. States should use discretionary funds to support capacity-building and provide technical assistance to local leaders and staff.

Recommendation #4: Align resources. Having multiple, federal funding

streams flow through a single administrative entity, such as a WIB, creates synergies and economies of scale and provides customers with a single point of contact.

C. Recommendations for Federal Statutory and Administrative Actions

Recommendation #1: Increase flexibility. As reauthorized, WIA should allow state and local workforce entities sufficient flexibility to set priorities and allocate resources based on local economic circumstances.

Recommendation #2: Provide guidance on business services. As reauthorized, WIA should provide guidance regarding the types of business services allowed or anticipated (e.g., articulating business needs, designing and implementing sectoral strategies, sponsoring business seminars, and providing consultation services).

Recommendation #3: Encourage support for intermediaries. As reauthorized, WIA should incorporate language, and possibly incentives, strongly encouraging WIBs to involve intermediaries in defining and implementing a business services strategy.

Recommendation #4: Retain private-sector leadership. As reauthorized, WIA should retain a strong role for local SEBs on WIBs in continuing to build credibility with business customers and economic development partners.

Recommendation #5: Build capacity. DOL/ETA should make a concerted effort to identify the needs of the workforce system for professional development and capacity-building, and work closely with states to invest in critical areas.

Recommendation #6: Support sectoral strategies. DOL/ETA should continue to invest in targeted, sectoral approaches (e.g., The High-Growth Job Training Initiative).

Recommendation #7: Increase brand awareness. DOL/ETA must continue to make progress in overcoming the rather fundamental problem of the

relatively low use and level of awareness of the workforce system and its resources on the part of SEBs.

Recommendation #8: Monitor system progress in meeting small and emerging business needs. Such monitoring could take the form of a Commission, funding of additional research, and/or the convening of a series of meetings to address these issues.

D. Recommendations for Future Research and Demonstration Projects on Promising Practices

- Recommendation #1: Convene meetings of small and emerging business owners, associations, and advocacy groups on a regional basis.
- Recommendation #2: Develop a primer or resource guide.
- Recommendation #3: Illustrate effective strategies and methods of collaboration through a limited demonstration of matching up small and emerging business networks and capable public workforce programs.
- Recommendation #4: Conduct more in-depth research and analysis, and launch some demonstration projects on how best to overcome low levels of awareness and the limited use of the workforce system by small and emerging businesses.
- Recommendation #5: Develop a better understanding of several important questions of interest to small and emerging businesses regarding the functioning of labor markets.
- Recommendation #6: Encourage more state and local research and demonstration projects.

I. INTRODUCTION

Small and emerging businesses are a powerful force in the U.S. economy. Over the last two decades, research data from the federal government and innumerable private sources have documented repeatedly the central role that small and emerging businesses play in job creation and economic growth. As further evidence, the National Commission on Entrepreneurship recently concluded

> "(we) are living in a new 'Entrepreneurial Age'–in which entrepreneurs and their companies are transforming the economic landscape."
>
> National Commission on Entrepreneurship, *Creating Good Jobs in Your Community*, August 2002

This report is about connecting these small and emerging businesses (occasionally abbreviated herein as SEBs) to the resources and services available through the public workforce system. For the purposes of this work, "public workforce system" refers to the extensive network of public and private agencies and organizations that are collaborating in order to enhance the skills and knowledge that reside in American workers, companies, and the communities in which they live. These organizations include state and local Workforce Investment Boards (WIBs), operators of One Stop Career Centers, and their many partners and service providers.

There is much uncertainty in the future for America's small and emerging businesses. On the one hand, demographics suggest that they will compete in tight labor markets in the not-too-distant future. SEBs will require new strategies and new business relationships for addressing their recruitment, employee training and development, and retention needs. Tight labor markets will necessitate pay and benefits increases in order for companies to retain talent, as well as strategies to develop skills for workers with language and basic skills deficiencies. On the other hand, fierce domestic and international competition will continue to exert pressure to reduce costs, including labor costs. Together, this combination of economic, labor market, and workforce development challenges will confront small and emerging businesses in fundamental ways.

Small and emerging businesses constitute, by far, the largest segment of the marketplace of employers in the U.S. economy. In spite of this dominance, SEBs have not received the focused attention by the public workforce system that is required. In June 2002, the U.S. Department of Labor's (DOL) Employment and Training Administration (ETA) funded the Research Institute for Small & Emerging Business (RISEbusiness) to conduct the first in-depth research project to increase knowledge and understanding of the special workforce needs of small and emerging businesses, and to examine how the public workforce system is responding to address those needs.

Under the Workforce Investment Act (WIA) of 1998, Congress intended that American business play an integral role in the design of the workforce investment system, and that the system serve the business community as a primary customer. DOL's investment in this research is one in a series of strategies employed by ETA over the last several years to increase the system's responsiveness to businesses–the demand side of the labor market. There have been several strategies. ETA created a Business Relations Group (BRG) to help business and industry better access the services of the state and local workforce investment system, and to increase the capacity of the workforce system to serve the workforce needs of the business customer. ETA launched a "High-Growth Job Training Initiative" focused on high-growth industries to ensure that workers have the right skills for the right jobs at the right time, and focused on capacity-building as an important component of its mission. ETA explored new ways to produce, package, and use labor market information (LMI) to serve the needs of its primary customers and stakeholders, including small and emerging businesses.

Through this research project and the complementary ETA initiatives, it is apparent that the public workforce system offers services and resources that potentially could make a critical difference in how small and emerging businesses respond to challenges and solve complex labor market problems. Accordingly, RISEbusiness initiated this project to provide a deeper understanding of these human capital and workforce development challenges faced by SEBs so as to guide policymakers and practitioners in designing and implementing practical solutions. RISEbusiness recognizes that the need for the public workforce system is greater today than ever before. In addition to being the backbone of our economy, small and emerging businesses also will lead our economic recovery. Thus, particularly during the

economic recovery, we must address the unique needs of SEBs to better match their skill needs with those seeking employment. Small and emerging businesses' support for, access to, and utilization of the public workforce system never have been more important.

The Role of RISEbusiness

This project helps advance RISEbusiness' previous work and interest in the area of human capital development. In March of 2000, RISEbusiness, American Express, IBM, and National Small Business United commissioned a landmark study, *The Future of Small Business: Trends for a New Century*, which took a comprehensive look at small and emerging businesses in the U.S., projecting over the next 15 years. The study found that, with the dramatic shift from a manufacturing to a services economy, human capital has replaced physical capital as the lifeblood of SEBs. Over the next 15 to 20 years, human capital and workforce development challenges will become heightened even more as the retirements of baby boomers occur at an accelerating pace. Nearly 70 million workers will begin curtailing their labor force participation beginning around 2010. This group not only will vacate jobs in large numbers, but also will cause serious skill shortfalls as more new jobs require advanced credentials beyond high school.

Collaborating for mutual gain is vital to the success of both small and emerging businesses and the public workforce system. Yet, it is difficult and costly to get any message to the SEB community — whether it is selling a product, or trying to get them to use the public workforce system. The most cost-effective and efficient approach is to work through intermediaries like RISEbusiness. Intermediaries have established relationships and credibility, and are willing to assist in the market penetration of this sector — one that historically has been beyond the reach of the workforce system. In this regard, RISEbusiness' unique constituency of strategic partners within the SEB community offers a broad "reach" to organizations totaling almost 100,000 members. As both a source of credible information, data, and research as well as an intermediary to this community, RISEbusiness provides the outreach and linkages necessary to foster closer collaboration between SEBs and the workforce investment system at the local, state, and federal levels.

Organization of this Report

Section II of this report describes the methodology employed to gather information and select sites for further study as examples of promising practices. Section III provides demographic evidence of the importance of small and emerging businesses in the nation's economy, as analyzed by firm-size, industry, and stage of growth or development. Section IV describes the expectations and needs of small and emerging businesses vis-à-vis the public workforce system, barriers and challenges they face in accessing the workforce system, as well as barriers and challenges facing the public workforce system in reaching and engaging SEBs. Section V presents several vignettes and detailed case examples, drawn from a wide range of states and communities, that illustrate how workforce entities have devised strategies and responses for reaching and engaging small and emerging businesses as part of a demand-driven approach. Each detailed case example includes discussions of the processes, strategies, and specific activities used by the state or community, as well as lessons learned in the process. Section V concludes with a synthesis of the most promising practices that could be replicated or adopted throughout the workforce system. Finally, Section VI provides recommendations for action on the part of local, state, and federal policymakers and practitioners.

II. PROJECT METHODOLOGY

Research Methods and Steps

This project focused on three questions that merit further research and that represent long-term strategies and pursuits:

- How do human capital needs of small and emerging businesses vary by type of business (e.g., number of employees, industry sector, stage of growth or development)?
- What types of SEBs are most inclined to use the services of the public workforce investment system, and for what services?
- How can sophisticated market-driven strategies impact the effectiveness of the public workforce investment system in providing services that meet SEBs' needs?

We sought to answer these questions by using qualitative research methodologies, including reviews of literature and research studies, interviews with business leaders and experts, as well as vignettes and detailed case examples of workforce development organizations. This methodology is described in more detail below.

First, we conducted reviews of the available literature and data sources to gather information on the workforce needs of SEBs. This review helped frame more specific questions and identified critical issues for our own research efforts. In this process, we identified numerous data sources, research, and planning tools that are being used to support strategic initiatives. As a general rule, the literature and research findings we examined were not organized in a fashion to inform public policy effectively regarding the types of services that are most needed and/or most appropriate for different types of employers. Moreover, the majority of existing research provided few insights to support the development of local strategies in order to serve SEBs. (Appendix A of our report lists the literature and sources reviewed).

Second, we met with RISEbusiness officers, directors, and strategic partners as well as other business and workforce development community leaders. Appendix B lists the RISEbusiness officers, directors, and strategic partners we met with, and

Appendix C provides the names of our interviewees and expert resources as well as their organizational affiliations. Our interviews focused on the expectations and needs of small and emerging businesses, barriers and challenges they face in accessing the workforce system, and the barriers and challenges faced by the public workforce system in reaching and engaging SEBs. Appendix D includes a sample of the interview questions used.

We then spent considerable time identifying for further study states and localities that have in some way analyzed the needs of, targeted, or served small and emerging businesses. To identify candidate states and communities, we reviewed the work of and consulted with nationally-recognized experts in workforce development and practitioners involved in local workforce systems. We also reviewed literature, including materials on community efforts that illustrated the wide variety of ways in which the workforce system serves these businesses. On the basis of recommendations from these sources, we compiled a list of candidates for site visits, including brief descriptions of promising practices and strategies that seemed to be a good match for further investigation.

A partial list of the organizations with which we consulted in this process includes: Workplace Learning Strategies; the National Association of Workforce Boards (NAWB); the U.S. Chamber of Commerce; the California Workforce Association; the Corporation for a Skilled Workforce; The John J. Heldrich Center for Workforce Development at Rutgers University; the National Governors' Association; and, the National Center on Education and the Economy's (NCEE's) High Skills States Consortium and High Skills Cities/Counties Consortium.

Site Visit Criteria

After consultation with representatives from leading national organizations, we developed our own set of criteria and decided to examine sites where:

- The state or local workforce investment board (WIB) or administrative entity or One Stop Career Center has some level of consciousness about the importance of delivering services to the SEB sector, manifested in some action, activity or initiative; and/or,
- The state or local WIB/administrative entity/One Stop Career Center has

done market research and analysis, and has some sophisticated understanding of the nature of small and emerging businesses in their service area and can demonstrate that they are a significant portion of their potential client base; and / or,

- The state or local WIB / administrative agency / One Stop Career Center has developed or implemented an outreach strategy targeted at segments of the small and emerging business market; and / or,
- The state or local WIB / administrative agency / One Stop Career Center has developed a relationship with some type of business intermediary organization (e.g., a local chamber of commerce, chapter of an industry association, manufacturing extension partnership center) in order to understand and address the needs of small and emerging businesses; and / or,
- The state or local WIB / administrative agency / One Stop Career Center offers business services that are designed to meet the needs of SEBs; and / or,
- The state or local WIB / administrative agency / One Stop Career Center derives revenues from business-services offerings.

and

The experience of that site in serving these businesses' needs is documented either through:

- independent third-party writing (e.g., The Heldrich Center, state association publications, NAWB, etc.); and / or,
- a word-of-mouth recommendation regarding the site's strategy / impact / commitment.

and

The collection of selected sites represents a good cross section of:

- different types of strategies (e.g., labor market analysis, community audits, planning, sectoral strategies, incumbent worker training, business services targeted to SEBs, etc.);

- different state and local entities with workforce responsibilities;
- different types of partners (e.g., state and local chapters of the National Association of Manufacturers, the U.S. Chamber of Commerce, other business associations / organizations, economic development agencies, manufacturing extension partnership centers, community-based organizations, and other intermediaries); and,
- different geographical areas of the country.

After identifying approximately 20 locations based on a screening of written materials, we narrowed the list to approximately ten sites for phone interviews, and then based on the phone interviews, we selected several states and local communities for site visits. The project team prepared for each site visit by studying additional materials made available by local sources. Then, we spent 1–2 days at each site meeting with WIB leadership and staff, WIB business members, and key partners learning about specific activities and initiatives and underlying philosophies driving services to small and emerging businesses.

In the course of our work, we encountered numerous examples of creative processes, strategies, and initiatives demonstrating how the workforce system can address small and emerging businesses' needs effectively. The vignettes and more detailed case examples in this report are drawn from a wide range of states and communities and are intended to capture what was occurring at a certain point in time, the spring and summer of 2003 when our field research was conducted.

Vignettes

1. Oklahoma Workforce Investment Board and Employment Security Commission
2. Concho Valley, TX Workforce Development Board
3. Eastern Kentucky CEP (Hazard, KY)
4. Greater Long Beach Workforce Development Board (Long Beach, CA)
5. WorkForce Essentials (Clarksville, TN)
6. Three Rivers Workforce Investment Board (Pittsburgh, PA)
7. Iowa Workforce Development (IWD)

Illustrative Case Examples

1. WorkSource, First Coast Workforce Development (Jacksonville, FL)
2. Workforce New York, New York State's Workforce Development System
3. North Valley (NOVA) Job Training Consortium (Sunnyvale, CA)
4. Human Resource Investment Council, State of Vermont
5. San Diego Workforce Partnership (San Diego, CA)
6. The WorkPlace, Inc., Southwestern Connecticut's Regional Workforce Development Board (Bridgeport, CT)

As noted in the Introduction, Section V presents vignettes of innovative strategies and promising practices that could be replicated or adopted, as well as detailed information collected on our site visits. We recognize that some of the locations selected for site visits already have received national attention for their specific programs. Nevertheless, we approached the site visits from a unique angle. In our study, we aimed to develop a better understanding of the leadership, policies, governance, funding allocation, and service delivery structures that facilitated working with SEBs. As we focused on these sites and sources of activity, we targeted our questions (see Appendices E and F) around the roles and functions assigned to states and localities, in order to capture the different priorities, approaches, methods, and roles of these workforce system components.

We recognize that small and emerging businesses represent a vast, complex, and diverse sector of the U.S. economy. Consequently, their expectations and needs vis-à-vis the public workforce system are difficult to gauge without conducting more substantial market research and segmentation analysis. In order to better understand and respond to the workforce challenges of small and emerging businesses, a longer-term agenda and research program needs to be established (see our recommendations in Section VI of the report). For this project, significant time and budget constraints prevented us from conducting a more comprehensive analysis. There are obvious limitations to our approach. Nevertheless, the conclusions we reached from our analysis of the data and the illustrative case examples can help to guide the continuous development and improvement of the public workforce system's connection to small and emerging businesses. As

DOL/ETA develops strategies for connecting employers to the workforce system and for building credibility with small and emerging businesses in particular, our findings are action-oriented. They address and inform our three principal research questions, suggest actions for federal, state, and local workforce officials, and illustrate the need for further research and/or demonstration projects.

III. THE IMPORTANCE OF SMALL AND EMERGING BUSINESSES

As noted in the Introduction, this report is about connecting small and emerging businesses to the resources and services available through the public workforce system. An appropriate starting point is to address the question of why anyone should pay close attention to this subsector of the total population of employers? Moreover, how do the differences between small and emerging businesses and large companies relate to workforce development?

The Small Business Administration (SBA) Office of Advocacy defines a "small business" as an independent business having fewer than 500 employees. We acknowledge that there are problems with using such a broad definition as a size threshold or benchmark for SEBs. After all, there are material differences in the organizational structure, culture, barriers, challenges, problems, priorities, and methods of operation of a company with 10 employees compared to one with 500 workers. For purposes of this research, we use this definition as a useful, albeit arbitrary, cut off. We recognize that other definitions exist, including those used by the Bureau of Labor Statistics. These variations more narrowly define a small business and, since they readily are accessible, this report will use these, where possible, to supplement the SBA definition.

Of the more than 20 million businesses in the United States, only about 17,000 are what SBA considers to be "large" (with 500 or more employees). Consequently, small and emerging businesses:

- Represent more than 99.7% of all employers.
- Employ more than half of all private-sector employees.
- Pay 44.5% of the total U.S. private-sector payroll.
- Generate 60%-80% of net new jobs annually.
- Create more than 50% of the nonfarm, private gross domestic product (GDP).[1]

[1] U.S. Small Business Administration, Office of Advocacy, Small Business by the Numbers, The Small Business Advocate, May 2002 and May 2003.

In short, small and emerging businesses not only are the backbone of the U.S. economy, but represent the largest potential beneficiaries and users of the public workforce system.

In addition, small and emerging businesses are an integral part of the renewal process that pervades and defines market economies. New firms and established SEBs play a crucial role in experimentation and innovation that leads to technological change and employment growth. These businesses are an influential force in the marketplace because they develop new ideas and help the economy evolve by providing more efficient uses of resources.[2] In addition, the threat of new competition from potential entrants challenges established firms to become more efficient.

Number of Employees by Employment Size
1990–2000

Employment Size	1990		2000	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Under 20	18,911,906	20.1	20,587,385	18.1
20-99	17,710,042	18.9	20,276,634	17.7
100-499	13,544,849	14.6	16,260,025	14.3
500+	43,302,478	46.4	56,940,932	49.9
Total	93,469,275	100.0	114,064,976	100.0

Source: Statistics of U.S. Businesses (2002), U.S. Bureau of the Census

Historically and presently, small and emerging businesses have been and are a primary source of employment and training for American workers, providing the majority of workers the general training they require to function throughout their

[2] Acs, Zoltan, Tarpley, Fred A. and Phillips, Bruce D. The New American Evolution: The Role and Impact of Small Firms, Office of Economic Research, U.S. Small Business Administration, June 1998.

[3] Berger, Mark C., Barron, John and Black, Dan A. Value of Worker Training Programs to Small Business. Carolyn Looff and Associates, Lexington, KY, September 2001.

work lives.[3] SEBs are crucial in providing job opportunities for low-skill workers. In 1998, SBA documented that businesses with fewer than 500 employees hired a greater proportion of employees that were difficult to employ, that is, those with less education, less experience, older workers, and those interested in working part-time.[4] In 2000, researchers reported that these firms hired a greater proportion of public-assistance recipients than larger firms.[5] In addition, SEBs with fewer than 25 workers provide twice as many hours of informal management training to employees with less than a high-school diploma as firms with 500 or more employees.[6]

Despite the fact that small and emerging businesses represent a critical point of entry and source of skills training — particularly for those workers who often are on the margins of the labor market — small and emerging businesses remain one segment of the marketplace of employers that, historically, the public workforce system has not understood well nor served effectively. However, the need to connect small and emerging businesses to the public workforce system is greater today than ever before. Small firms that are nimble, adaptable, and creative will play an increasingly important role in creating new job opportunities for America's unemployed and once again will lead the way to economic recovery. In short, small and emerging businesses' support for, access to, and utilization of the workforce system have never been more important.

What follows is a more detailed analysis of the SEB community by firm-size, industry sector, and stage of growth or development. As we demonstrate in the following sections of our study, there are various ways that states and local communities use this information to build strategies and to deliver business services that reflect these different variables.

By Firm-Size

The vast majority of small firms employ far fewer than 500 employees:

- Sole proprietorships and home-based businesses with no employees represent 8% of all businesses.
- Firms with 1-4 employees represent 52% of all businesses.

[4] Berger, Mark C., Black, Dan A., Scott, Frank A. and Allen, Steven N. Distribution of Low Wage Workers by Firm Size in the United States. Prepared by Carolyn Looff and Associates, Lexington, KY, for the U.S. Small Business Administration, Office of Advocacy, December 1999.

[5] Holzer, Harry and Wissoker, Douglas A. How Can We Encourage Job Retention and Advancement for Welfare Recipients. Urban Institute, Washington, D.C., October 2001.

[6] Berger, Mark C., Black, Dan A., Scott, Frank A. and Allen, Steven N. Distribution of Low Wage Workers by Firm Size in the United States. Prepared by Carolyn Looff and Associates, Lexington, KY, for the U.S. Small Business Administration, Office of Advocacy, December 1999.

- Firms with 5-19 employees represent 29% of all businesses.
- Firms with 20-99 employees represent 9% of all businesses.
- Firms with 100-499 employees represent approximately 1.4% of all businesses.[7]

Consequently, 89% of all small businesses employ fewer than 20 employees, while 98% of all small businesses employ fewer than 100 employees. This has important implications for workforce development practitioners.

Number of Firms by Employment Size 1990-2000

Employment Size	1990		2000	
	Number of Firms	Percent of Total	Number of Firms	Percent of Total
Under 20	4,535,575	89.3	5,035,029	89.1
20-99	453,732	9.0	515,977	9.1
100-499	70,465	1.3	84,385	1.5
500+	14,023	0.4	17,153	0.3
Total	5,073,795	100.0	5,652,544	100.0

Source: Statistics of U.S. Businesses (2002), U.S. Bureau of the Census

Size clearly matters. In May 2000, the National Federation of Independent Business (NFIB) Education Foundation published the fifth edition in its *Small Business Problems & Priorities* series. The Foundation sent a mail survey to a large sample of NFIB members that presented over 70 potential business problems for small-business owners. The survey asked respondents to rank each potential problem on a scale anchored by "Critical Problem" on one end and "Not a Problem" on the other. Based on the responses of 4,044 small-business owners, the greatest change, when compared to the 1986, 1991, and 1996 results, was "the relentless movement

[7] U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Bureau of the Census, Statistics of U.S. Businesses (2002).

up the list of employee scarcity issues." Another key finding was that "employee size of business is one of the most important factors influencing the relative severity of small business problems," citing several important firm-size differentials:

- In larger firms, a business function that enjoys economies of scale should be less burdensome, other factors equal.
- Larger firms are more likely to hire functional specialists, thus reducing the burden placed on the owner who is no longer required to be knowledgeable about all facets of the business.
- Relatively large firms are usually more profitable than relatively small ones.
- The greater number of employees, the farther removed they are from the central decisionmaker — the business owner — and, the more likely formal personnel structures and rules will govern.
- Larger employers invest more time and money in human resources–recruiting, screening, and interviewing prospective employees.
- Larger firms are sometimes subject to different government requirements and enforcement strategies than smaller companies.[8]

By Industry Sector

U.S. Bureau of the Census data provides the number of small and emerging firms and their employment levels by NAICS sector:

[8] Dennis, William J., NFIB Education Foundation, "Small Business Problems & Priorities," May 2000.

Number of Firms and Employment Levels by NAICS Sector, Percent Small Business

NAICS*	Firms	Percent Small Business	Employment	Percent Small Business
Agriculture, Forestry, Fishing	25,450	99.6	183,565	88.2
Mining	18,756	98.2	456,128	43.9
Utilities	7,022	96.9	655,230	16.0
Construction	306,303	98.8	6,572,800	62.7
Manufacturing	14,023	98.5	16,473,994	42.3
Wholesale Trade	354,153	99.1	6,112,029	63.5
Retail Trade	731,444	99.6	14,840,775	43.7
Transportation and Warehousing	157,333	99.2	3,790,002	41.1
Information	79,565	98.6	3,545,731	28.1
Finance and Insurance	227,034	99.3	5,963,426	32.1
Real Estate, Rental, Leasing	244,513	99.5	1,942,046	70.0
Professional, Scientific and Technical Services	670,099	99.6	6,816,216	64.7
Management of Companies and Enterprises	26,762	75.1	2,873,521	51.3
Administration, Support and Remediation	299,329	98.9	9,138,100	38.1
Educational Services	60, 943	98.4	2,532,324	47.1
Health Care and Social Assistance	532,042	99.3	14,108,655	47.5

Number of Firms and Employment Levels by NAICS Sector, Percent Small Business (continued)

Arts, Entertainment and Recreation	97,072	99.4	1,741,497	68.0
Accommodation and Food Services	412,776	99.6	9,880,923	60.3
Other Services (except Public)	661,709	99.8	5,293,399	85.9
Auxiliaries	5,403	55.9	1,001,015	5.8
Unclassified	98,968	100	143,600	100

*NAICS –North American Industry Classification System
Small Business as defined by SBA is <500 employees
Source: Statistics of U.S. Businesses (2002), U.S. Bureau of the Census

Small and emerging businesses also represented a relatively significant market share (as indicated in the parentheses) in the following industry sectors:

- Services (40.0%)
- Retail Trade (20.0%)
- Construction (12.0%)
- Finance / Insurance / Real Estate (8.0%)
- Wholesale Trade (7.4%)
- Manufacturing (6.0%)
- Transportation / Communications / Public Utilities (4.0%)
- Agriculture (2.0%)
- Mining (0.4%) [9]

In its May 2000 publication, the NFIB Education Foundation analyzed its survey responses by these very same industry sectors (with the exception of Mining). It succinctly states that "(n)o business characteristic generates as much problem

[9] U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Bureau of the Census, Statistics of U.S. Businesses (2002), using the North American Industry Classification System (NAICS) for small business as defined by SBA as fewer than 500 employees.

differentiation among small businesses as does industry. Owners of businesses in different industries are often relatively concerned about different things." NFIB found that some core small-business problems (e.g., poor earnings/profits, poor sales, competition with large businesses, environmental regulations, ability to cost-effectively advertise) varied notably by industry. However, when NFIB measured the importance of human capital by industry, this was not the case. Significantly, rather than dividing industries sharply or differently, it appears, based on NFIB's analysis, that issues involving "employees"--i.e., locating qualified employees, keeping skilled employees, training employees, or employee turnover--are not disproportionately more difficult or less difficult for the construction, manufacturing, transportation/communication, wholesale, retail, agriculture, financial services, services, or professional services, respectively.[10]

Nevertheless, this does not suggest that the manner in which these issues are addressed is uniform across industries. Moreover, at the time of the NFIB survey, the labor market was extremely tight and there was a strong, upward pressure on wages across industries--accordingly, all employers were impacted uniformly and challenged severely. However, since then, unemployment has increased overall with significant variations in unemployment rates by industry sectors and geographic regions. Furthermore, analysis of the Job Opportunities and Labor Turnover Survey (JOLTS) from the Bureau of Labor Statistics shows that there are significant differences in job openings, hires, and separations by industry sectors and geographic regions. The differing structures of work organizations, the rate at which technologies and processes are introduced into the workplace, and related factors all dictate different responses in how service providers approach different industries. Thus, the dynamic nature of individual companies and industries and, more broadly, labor markets continue to be one of the most fundamental challenges that workforce development professionals encounter.

[10] Dennis, William J., NFIB Education Foundation, "Small Business Problems & Priorities," May 2000.

By Stage of Growth or Development

The National Commission on Entrepreneurship (NCOE) draws an important distinction between low-growth and high-growth companies as it relates to the focus, motivation, orientation, and "mind set" of the business owner. NCOE describes a "small business" as a lifestyle or mainstream business, where the owner's primary motivation and orientation are focused on providing employment for the owner and his or her immediate family. These small businesses comprise the core of the U.S. economy.[11]

In contrast, NCOE describes an "emerging business" as an entrepreneurial venture, where the owner's primary motivation and orientation are focused on innovation (not necessarily technology-based innovation) and fast growth (an annual rate of 15%-20%). While a relatively small portion (5%-15%) of the nation's businesses fit this description, these emerging businesses create two-thirds of the net new jobs in the U.S. economy, and are the leaders in generating new products and services.[12]

To survive, an emerging business must transition successfully through three stages of growth or development, as defined below:

- Start-Up Stage. This beginning stage of a business is characterized by an inconsistent growth rate, simple and informal methods of operation and systems, and a structure highly-centralized in the founder of the company.
- Expansion Stage. This stage is characterized by rapid growth, an emergence of formal systems, and a centralized structure with limited delegation.
- Consolidation Stage. This stage is characterized by slower growth, departmentalization, formalized systems, and moderate centralization.[13]

[11] National Commission on Entrepreneurship, "Entrepreneurship: A Candidate's Guide: Creating Good Jobs in Your Community," August 2002

[12] Ibid.

[13] Heneman, Robert L. and Tansky, Judith W., Fisher College of Business, The Ohio State University, June 24, 2001.

Research suggests that human resources strategies vary widely based on stage of growth or development:

- High-growth firms appear to have a more strategic focus and "visionary" philosophy than low-growth firms regarding human resources — a vision for the organization that is reflected in the culture of the organization and the specific human resources strategies for the firm. In turn, employees are matched to that culture in careful ways in order to build a sense of commitment or psychological ownership to the firm.
- High-growth firms appear to follow more sophisticated human resource strategies that have been shown in the research literature to be associated with organizational effectiveness. High-growth firms appear to be more willing to take risks on new human resources strategies, even where it has not yet been established clearly that a link exists between the human resource strategy and organizational effectiveness.
- Much of the visionary human resource strategy revolves around reward systems in the broadest sense (career advancement, feedback, pay, benefits, and ownership), and rewards clearly seem to be viewed as a critical human resource strategy.
- By contrast, low-growth firms appear to have more of a "reactive" philosophy towards human resources. Their focus is on solving immediate human resources problems confronting them, and this concern is expressed in terms of fitting employees immediately to the job rather than to the organization. Thus, decisionmaking regarding human resources tends to be made "on the spot," or is left to others whenever possible in the form of outsourcing.
- Low-growth firms seem to follow more traditional human resource strategies as would be predicted by their reactive human resource philosophy. For example, it is much less time-consuming and requires fewer applicants to fit the person to the job rather than to the organization. In terms of retention, traditional rewards (job security, formal training, and individual rewards) are more likely to be valued by employees of these firms, and these strategies can be implemented and administered more easily than the more risky human resource strategies used by high-growth firms.[14]

[14] Heneman, Robert L. and Tansky, Judith W. "Human Resources Strategies of High Growth Entrepreneurial Firms," Fisher College of Business, The Ohio State University, August 13, 2000.

IV. SMALL AND EMERGING BUSINESSES AND THE PUBLIC WORKFORCE SYSTEM

As noted in the Project Methodology section of this report, we interviewed small-business owners, entrepreneurs, and executives of small-business associations who represent them. Throughout the extensive interviews, we sought to gain a deeper understanding of how small and emerging businesses connect with the public workforce system. For the most part, our research methods tended to be more exploratory in nature. For example, we conducted interviews, not formal surveys. Consequently, since many of our findings tend to be anecdotal in nature, there are certain limitations on our ability to reach broad, sweeping conclusions. Nevertheless, as DOL/ETA develops its strategies for connecting the SEB sector to the workforce system and for building credibility for the system, our observations and insights not only address and inform our three principal research issues, but also support the need for further quantifiable, empirical research and/or pilot and demonstration projects.

Our interviews were structured around three major themes, each of which is discussed in more detail in the following sections:

- Expectations and needs of small and emerging businesses.
- Barriers and challenges for small and emerging businesses in accessing the public workforce system.
- Barriers and challenges for the public workforce system in reaching and engaging small and emerging businesses.

Expectations and Needs of Small and Emerging Businesses

At the most basic level, the expectations and needs of small and emerging businesses do not vary tremendously from those of large companies. Finding and retaining qualified workers are among the most formidable challenges facing employers today. Employers need qualified workers in order to survive, expand, and grow their businesses. Payroll constitutes a noteworthy portion of most companies' operating budgets.

However, there are important distinctions and differences between small and emerging businesses and large companies that relate directly to workforce development. These involve the SEB expectations and needs themselves, the relative costs, barriers, and risks they face, as well as the manner in which vendors, including the workforce system, package and deliver services to small and emerging businesses.

Finding, screening, training, and retaining qualified workers are significantly bigger challenges for the SEB sector — the generator of job creation. Simply stated, small and emerging businesses lack human resources departments, and the time and knowledge to recruit, hire, train, retain, and replace qualified workers. For example, the cost of a bad hiring decision has added significance for a small or emerging company. A large company can accommodate bad hiring decisions more readily than a small company by calling on other workers to "pick up the slack," by moving the employee into a different position within the company where the fit is better, or by employing other strategies to minimize the impact. The smaller company has fewer such options, and suffers more from the lost productivity of an ineffective hire.

Recent reports continue to document the difficulty that small and emerging businesses have in hiring qualified workers. The Center for Workforce Preparation, a nonprofit affiliate of the U.S. Chamber of Commerce, reported on the results of three employer surveys. In an April 2001 survey of 1,800 employers, 68% said that they had a "significant problem recruiting qualified workers," and 78% said it was due to the fact that job applicants had "the wrong skills, poor skills, or no skills at all."[15] By January 2002, 73% of 1,500 employers surveyed said they experienced "very or somewhat severe conditions" when trying to hire qualified workers.[16] In 2003, despite the slow economy, over 50% of the 3,700 employers surveyed found it "very hard" or "hard" to find workers with the skills they need.[17]

[15] Center for Workforce Preparation. "Keeping Competitive: A Report from a Survey of 1,800 Employers," U.S. Chamber of Commerce, September 2001.

[16] Center for Workforce Preparation. "A Report from a Survey of 1,500 Employers," U.S. Chamber of Commerce, January 2002.

[17] Center for Workforce Preparation, U.S. Chamber of Commerce. Rising to the Challenge, Business Voices on the Public Workforce Development System, Spring 2003.

Surveys conducted by other organizations produced similar results. The National Association of Manufacturers has found in repeated surveys that "…skills shortages persist even in a manufacturing recession."[18] A recent survey of 345 small and mid-sized California manufacturers identified "the upgrading of employee skills" as a "significant barrier facing companies."[19] In a separate survey conducted by the Manufacturing Extension Partnership center in York, PA (MANTEC, Inc.), "hiring and retaining qualified employees" was ranked as the third "most critical" or "very critical" issue facing small manufacturers.[20]

Many of the small and emerging businesses we interviewed had clear recommendations on specific ways that the public workforce system could help them identify, hire, and retain qualified workers. For example, one group of entrepreneurs expressed an interest in turning to the public workforce system for consultation and expert advice focused on choosing from among various tests, assessments, and measurement tools for evaluating job candidates. The marketplace for these tests, assessments, and tools is large and complex, and these SEBs reported that they simply lacked time, resources, and expertise to evaluate alternative products and services and make informed choices. Helping these businesses improve their methods of choosing employees and matching them to job requirements or to an organization has immediate bottom-line returns and represents one important way that the public workforce system can contribute directly to business performance.

Small-business owners and entrepreneurs we interviewed consistently expressed the need for help in writing job descriptions, conducting interviews, performing pre-employment assessments, hiring and firing employees, providing employee training and development, and validating a prospective employee's employment record and personal background. They expect the public workforce system to be able to provide, without undue intrusion or complicated administrative burden, the expertise and consultation services related to recruiting, screening, and assessment strategies, especially assistance in finding employees with "soft" or "work readiness" skills (i.e., literate, ethical, reliable, and loyal employees).

---

[18] National Association of Manufacturers, The Manufacturing Institute's Center for Workforce Success, and Arthur Andersen. The Skills Gap: Manufacturers Face Persistent Skills Shortages in an Uncertain Economy.

[19] National Academy of Public Administration. The National Institute of Standards and Technology Manufacturing Extension Partnership Program: Report 1, Re-Examining the Core Premise of the MEP Program. Academy Project Number 2013-001, September 2003.

[20] Ibid.

While small-business owners and entrepreneurs often talk about unpleasant experiences in hiring and retaining qualified workers, some of the reported problems result from unenlightened “people practices” in which their companies engage. By consulting with SEBs on how to create and sustain a healthy work environment — by demonstrating an appropriate level of respect and appreciation, paying competitive wages and benefits, and engaging in other effective strategies to enhance productivity and employee satisfaction — the public workforce system can help SEBs realize improved performance outcomes and commitment from those on the job.

The small and emerging business owners interviewed acknowledged that they often lack a sense of broader human resources trends, demographics, and practices and how these can impact their businesses. They attribute this to their relative isolation, less time for business planning, and short-term perspective. Most lack awareness or know-how to make good use of local labor market information to guide strategies and management decisions, including recruitment strategies and compensation policies. Yet, by virtue of this segment's dominance in the marketplace, small and emerging businesses consider themselves primary stakeholders in the workforce information system. The SEBs interviewed expressed interest in better information about the availability (quality and quantity) of labor supply, as well as affordable data describing trends in employee compensation (pay and benefits), including comparative analysis by industry type, firm-size, and occupation. They also expressed interest in information about the relative efficacy of various recruitment, screening, and assessment methods that could help predict workplace performance and improve the process of employee selection.

The expectations and needs of small and emerging businesses will vary even among peers sharing similar characteristics (e.g., size, industry, stage of growth or development, etc.). The well-established specialty textile manufacturer with 75 employees facing low-wage foreign competition may need to know more about how to raise productivity and reduce production costs in order to stay in business. This company might benefit from information about new potential products or customers, or knowledge about the state's worksharing program so that the company can avoid layoffs during an economic downturn. These needs are very different from an established insurance services firm with 75 employees that has developed a new line of business with a software development firm and hopes to

provide new risk analysis software to insurance industry giants. This firm might benefit from receiving assistance with new business strategies to manage the firm's growth as it approaches a period of anticipated expansion. This firm may need the help of a local entrepreneurship center and/or a One Stop Career Center in planning hiring needs through the growth spurt. While a single organization may not be able to meet all the expectations and needs of the small manufacturer and insurance services firm, it is critical to recognize the inherent differences in their expectations and needs, organizational cultures, and customers, and to develop products and services with that in mind.

Important differences also exist in terms of packaging and delivering services to small and emerging businesses vis-à-vis large companies. For instance, an SEB owner may not only need LMI reports by industry, but also may need to have industry experts available to talk about what this information and data mean for the company. In another instance, an SEB owner may need to be approached by a trusted intermediary who can identify companies like theirs that are well positioned to take advantage of certain specialized training (e.g., lean manufacturing).

In sum, small-business owners and entrepreneurs interviewed indicated clearly that workforce entities must provide services that are relevant, accessible, measurable, and that have an immediate, bottom-line impact for small and emerging businesses in order to win their confidence. We heard repeatedly about the specific products and services they would most value from the workforce system. These included information and advice on off-the-shelf recruiting and pre-employment (personality) assessment tools; a centralized system that verifies personal background and employment records; more accessible and affordable local labor market information and data; predictors of on-the-job performance; and, government-funded training and certification programs. Interestingly, the public workforce system is well positioned to address many of these needs and expectations.

Barriers and Challenges for Small and Emerging Businesses in Accessing the Public Workforce System

Understanding the barriers and challenges facing small and emerging businesses in accessing the public workforce system requires consideration of the distinctive organizational structures and cultures in which they operate. This unique structure

and culture are reflected in the independent nature of the typical small-business owner and entrepreneur. Coupled with their relative isolation, these factors create unique barriers and challenges in accessing the system that are not faced by large, publicly-traded companies.

As prototypical "rugged individualists," most small-business owners and entrepreneurs operate independently and in relative isolation, and tend to focus sharply on survival and meeting the immediate needs of their customers. Compared to larger companies, small-business owners have a tendency to be relatively risk-averse (with little margin for error when it comes to short-term returns on investment), less trusting and more skeptical, more impatient, and less sophisticated in management practices and production processes. Furthermore, significantly more than large companies, smaller companies lack resources and their owners lack time since they are required to serve several different functions within their companies.

For example, most of the SEBs we interviewed do not employ staff dedicated to human resources. As a result, the owners bear sole or primary responsibility for recruiting, hiring, and firing employees, yet lack the time and resources to navigate the complicated maze of government workforce programs, subsidies, and tax incentives to meet their human capital needs. Instead, they told us that they rely on a narrow band of personal networks and relationships, and other traditional sources to find workers for their job openings, turning to family, friends, co-workers, employee referrals, or classified ads to meet their hiring needs. Moreover, due to a lack of awareness and a lack of perceived benefits, as well as concern over an additional paperwork burden and increased recordkeeping, most of the businesses we interviewed do not make use of the Advanced Earned Income Tax Credit, the Work Opportunity Tax Credit, or the Welfare to Work Tax Credit, and do not steer their employees to the Lifetime Learning Tax Credit to help defray training costs.

Government-sponsored training programs have the potential of making important contributions in helping small and emerging businesses meet their workforce challenges. In 1992, SBA conducted a business training survey which found that

only half of businesses with fewer than 25 employees were aware of government training programs, and that only 16% of such firms ever had hired a worker through government training programs.[21]

In 2001, SBA commissioned the University of Kentucky to conduct another business training survey, including many of the same questions asked in the earlier survey to aid in conducting comparisons over time. Again, larger firms were found more likely to have heard of and used government training programs.[22] This is consistent with a recent U.S. Chamber of Commerce study that finds that the workforce system largely is underused by small businesses and more likely to be used by large firms. Moreover, the U.S. Chamber study dispels the myth that this occurs because business customers are dissatisfied with the services rendered. The vast majority of the firms in the 2001 sample that had used government programs reported satisfaction with them and a willingness to use them again.[23] The relatively low utilization of the workforce system by SEBs, despite satisfaction by business users, suggests the need for a more substantial, targeted investment in marketing and communications to employers.

Barriers and Challenges for the Public Workforce System in Reaching and Engaging Small and Emerging Businesses

There are myriad opportunities for competent public-sector intervention on behalf of small and emerging businesses. In the course of our interviews, upon learning about the services, resources, and capabilities available, business owners generally agreed that the public workforce system offers significant assistance in helping them meet their expectations, needs, and the costly challenges associated with finding and developing human capital. However, reaching and engaging small and emerging businesses require that federal, state, and local workforce officials overcome several barriers. These barriers include the relatively higher cost of packaging and delivering services to small and emerging businesses, the vast diversity among companies, the lack of awareness about the system's capabilities, and skepticism about working with government-provided products and services.

---

[21] Black, Dan A., Berger, Mark C. and Barron, John. Job Training Approaches and Costs in Small and Large Firms. University of Kentucky, Lexington, KY, June 1993.

[22] Berger, Mark C., Barron, John and Black, Dan A. Value of Worker Training Programs to Small Business. Carolyn Looff and Associates, Lexington, KY, September 2001.

[23] Center for Workforce Preparation, U.S. Chamber of Commerce. Rising to the Challenge, Business Voices on the Public Workforce Development System, Spring 2003.

Throughout our interviews, we were reminded that there is much diversity among small and emerging businesses and their workforce needs. Convenience stores, trucking firms, small manufacturers, and start-ups using advanced technology all have unique workforce requirements and engage in distinct labor market practices. This diversity makes these businesses more difficult and costly to serve. The customization required for needs identification of products and service delivery is disproportionate to the number of employees per company. However, their aggregate impact — the overall dominance of the SEB sector in terms of employment levels and job growth — suggests that the public workforce system find ways to reach and engage these businesses.

For the very reasons cited earlier — SEBs' relative structure, culture, isolation, skepticism, and lack of awareness — we found few examples where small and emerging business owners turned to the public workforce system spontaneously for help in solving human capital problems. In spite of experiencing skill shortages, tight labor markets, and other human capital challenges — routinely identified as critical issues by small and emerging businesses — relatively few of the businesses we interviewed used the public workforce system.

Some of the state and local workforce systems we visited clearly accept the responsibility for focused marketing and communications, and are making considerable efforts to market programs and workforce resources to their business customers. We also found evidence at some of the sites that business outreach efforts have been underway for sometime and reflect a significant investment of resources over time, suggesting the seriousness of the challenge. This progress is reflected in recent studies by the National Business Engagement Consortium and the U.S. Chamber of Commerce that report increasing employer awareness of the workforce system.

However, in the course of our interviews, we encountered a surprising reluctance of some in the workforce system to market services to businesses. In fact, some workforce officials were unaware that they could use WIA funds to reach out to SEBs as potential customers. Accordingly, the public workforce system must continue to make progress in overcoming the fundamental problem of the relatively low level of awareness of the workforce system and its resources on the part of small and emerging businesses.

Despite the growing awareness, some business owners that we interviewed expressed skepticism about considering DOL as a potential workforce asset. Small and emerging businesses, more than large companies, tend to associate DOL with the Occupational Safety and Health Administration (OSHA) or the Wage and Hour Division of the Employment Standards Administration (ESA). Consequently, many of the business leaders we interviewed considered DOL primarily as a regulatory and enforcement agency. This image continues to be an obstacle for the non-regulatory workforce development programs seeking to provide business assistance.

Over the course of this study, we encountered numerous examples where the public workforce system has overcome small and emerging businesses' skepticism about working with public workforce agencies by understanding their needs and acting to deliver value-added services, sometimes well outside the scope of traditional workforce services. Therefore, the potential power for using workforce initiatives to reach and engage SEBs is powerful.

Finally, in the course of our interviews, small and emerging business owners noted the important role that intermediaries play as sources of information and solutions to practical problems. Rather than looking to government sources, most SEBs rely on local chambers of commerce, trade or industry associations, small business development centers, manufacturing extension partnership centers, as well attorneys and accountants for help. In the process, these groups and organizations have gained significant insights, experience, and respect from the small and emerging business community. By partnering with and using the expertise of these intermediaries, public workforce development programs can make significant progress in getting the attention of SEBs in addressing their workforce challenges. To the extent that these intermediaries understand and collaborate with the workforce system, the use of the system by small and emerging businesses can increase, enhancing the system's effectiveness in meeting their expectations and needs. In turn, the workforce system can serve the needs of SEBs by working with these intermediaries in forging more effective business strategies and service delivery.

V. STATE AND LOCAL WORKFORCE SYSTEM STRATEGIES AND RESPONSES

In the course of this work, we have been able to observe first-hand the early stages of how the public workforce system is adapting to the policy shift to a demand-driven system. In turn, our study provides an early assessment of how well the workforce system currently responds to the needs of small and emerging businesses. We encountered numerous examples of creative processes, strategies, and initiatives demonstrating how the workforce system can address small and emerging businesses' needs effectively. This section documents the approaches that appear particularly innovative and/or replicable by other states and communities.

We do not intend to suggest that, in each of the following examples, the states or communities have adopted a comprehensive strategy focused on addressing the needs of small and emerging businesses. On the contrary, most of the examples are NOT the result of a targeted small-business strategy. Nevertheless, most of the sites we visited clearly recognized the dominance of small and emerging businesses within their local communities, regions, and states, and thus implicitly developed and shaped their engagement strategies, accordingly. The examples illustrate the myriad ways in which the public workforce system has found ways to address those SEB needs effectively. In some cases, the strategies and business services described are part of a business outreach and services strategy that happened to be packaged and delivered in a way that small and emerging businesses found accessible and valuable. Others have targeted small and emerging businesses as part of a broader market-segmentation strategy, organizing by firm-size, industry sectors or clusters[24], stage of growth or development, or geography.

[24]Consistent with popular usage among workforce development professionals, this reports uses the terms "sectors" and "clusters" interchangeably. The academic and practitioner literature is replete with debates about the definitions of and distinctions between these two terms. According to the National Governors' Association and Stuart Rosenfeld of Regional Technology Strategies in A Governor's Guide to Cluster-Based Economic Development (2002), "(t)here is surprisingly little disagreement over the formal definition of a 'cluster.' Most experts define it as a geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue, that share specialized infrastructure, labor markets and services, and that are faced with common opportunities and threats. A cluster differs from a sector in its geographic boundaries; the inclusion of resource, supply, and knowledge chains; and the importance of how they are connected. Clusters are best understood and used as regional systems. Sectors, which states have traditionally used for planning purposes and identifying economic opportunities, are treated mainly as concentrations."

Perhaps the common thread in these examples involves the importance of public workforce system leadership being cognizant of small and emerging businesses as strategy and resource allocation decisions are made. This cognizance could include asking several questions such as:

- Are we aware of the composition of the local economy and the industries in which small and emerging businesses are concentrated?
- Are our strategies sufficiently diverse to ensure that public workforce system resources do not exclude important segments of the market (both individuals and employers)?
- Are our programs and services packaged in a way that will invite small and emerging business owners to participate and to find value in the relationships?
- Are our delivery systems set up to meet the particular needs of small and emerging businesses?
- How will these decisions help SEBs to address their human resources needs overall?

VIGNETTES

The following vignettes provide a quick glimpse into some of the approaches. Six more detailed case examples, drawn from a wide range of states and communities, appear after the vignettes. While subject to change over time — especially since these states and communities are among the most progressive, constantly improving, expanding, and modifying their workforce system strategies and responses — they are intended to capture what was occurring at a certain point in time, the spring and summer of 2003 when our field research was conducted. These illustrate how workforce entities have engaged small and emerging businesses, including those in high-growth sectors such as health services, information technology, automotive services, biotechnology, hospitality, retail, financial services, and transportation. Each detailed example includes discussion of the processes, strategies, and specific activities used by the state or community, as well as lessons learned in this process.

The Oklahoma Workforce Investment Board and Employment Security Commission used Workforce Investment Act 15% funding to improve manufacturing efficiency and save jobs. The Oklahoma Alliance for Manufacturing Excellence, an affiliate of the U.S. Department of Commerce's NIST Manufacturing Extension Partnership program, was awarded $100,000 to provide training in lean manufacturing–$5,000 each to twenty small manufacturers. Lean manufacturing improves company productivity by showing employees how to remove non-valued-added steps from the production process.

The twenty manufacturers matched the $100,000 grant with $275,000 in-kind and in cash. At the end of the project, manufacturers reported that they created 94 new jobs, and realized $7 million in cost savings as well as over $20 million in sales increases resulting from this training. All of the manufacturers reported improved working conditions and increased employee involvement. In addition, one manufacturer that already had shifted some assembly operations to Mexico realized cost savings sufficient to justify keeping operations in Oklahoma, to the benefit of its workers, community, and local suppliers.

The Concho Valley, TX Workforce Development Board operates in a rural region challenged by high unemployment and limited job creation. Despite limited WIA funding, a small Board, and geographically-isolated counties, the Board has taken the community audit process very seriously as a basis for planning how to engage businesses in the public workforce system. To date, the Board has received funding to conduct nine community audits. The audit process, which included one-on-one meetings with businesses, employer surveys, and worker interviews, led to establishing three designated employer service representatives constantly talking with employers about their needs.

They use the information gathered from the community audits, as well as local LMI, to develop and implement community strategic and service delivery plans. Thinking broadly, the Board and staff identified non-workforce-related issues in the audit process. For instance, numerous small-business owners identified infrastructure issues (e.g., old water and sewer lines) as an obstacle to business growth and expansion. By locating experts from the appropriate state agencies, and pooling resources across regions, they helped small and emerging businesses address this problem.

Eastern Kentucky CEP is located in Hazard, KY, a very rural region with high unemployment, low per capita income, and high job loss. The region has experienced persistent difficulty in attracting new businesses and in developing new employment opportunities for local residents. Notwithstanding, they have developed a highly-integrated service delivery system, with a strong record of collaboration.

The local WIB and staff recognized a need to develop a business outreach strategy and a method to deliver value to economic development partners. Starting with basic conversations with local employers, they formed a "business solutions team" and alliances with economic development agencies, their employment services office, small business development centers, chambers of commerce, and trade associations to meet the needs of small and emerging businesses. As a result, their operation ("Job Sight") has become the first resource that any new or existing business contacts for support services. Although they may not receive credit for some of their employer services under the existing WIA performance metrics, they continue to offer these services and to become more sophisticated about business needs and their employer services strategies to address those needs.

The Greater Long Beach Workforce Development Board, located in Long Beach, CA, has principal responsibility for implementing the Workforce Investment Act in the cities of Long Beach and Signal Hill, CA. The Board is staffed by the Long Beach Workforce Development Bureau, which is part of the City of Long Beach's Department of Community Development. This administrative arrangement provides for direct connections with economic development, housing, and neighborhood services, and contributes to more intensive service coordination and strategy alignment. The Los Angeles-Long Beach Metropolitan Statistical Area is dominated by small and emerging businesses. In 2001, 98% of firms in the area reported having fewer than 100 employees, with 88% of all firms reporting fewer than ten employees. Chaired by a small-business owner, the Board sought ways for its workforce development strategies to address the practical and immediate needs of this vibrant small and emerging business community.

The Board decided to focus on basics, emphasizing the development of employability or soft skills and ensuring that the system produced job-ready workers based upon standards set by the local business community. The Board staff organized employer

focus groups to identify needs and to formulate more responsive service strategies. They subsequently launched a pilot project designed to help local business owners determine their staffing needs and to enhance employee retention and overall productivity. Key services include employee recruitment and screening, the use of employability or soft skills assessments to determine job readiness, and the completion of background checks. The program uses a proprietary on-line assessment tool that collects data from motivational behavior assessments, value assessments, work perception assessments, and new employee interview scores from employers and job candidates. The background check consists of criminal, social security, driver's license, professional license, education, and drug records. The Bureau selected these proprietary tools and products based on input from employers. Job candidates who are not matched successfully in the pilot project are referred to the One Stop Career Centers, where they participate in workshops and skill development programs to enhance their future prospects. Initial results suggest that the pilot program is likely to be expanded.

WorkForce Essentials, headquartered in Clarksville, TN, offers several unique and innovative business customer-focused products and services to help small and emerging businesses. The efforts are concentrated in the retail, construction, and services industries and primarily address filling hiring needs, improving efficiency, reducing turnover, and reducing costs. Some of the products and services offered through local One Stop Career Centers include: employee skills assessment and recruitment services, programs and materials; customized training programs with classes available on a flexible schedule; necessary tools, supervisory training, and services needed to implement a drug-free workplace program; guidance on complying with Department of Transportation regulations and Department of Health and Human Services mandatory guidelines concerning workplace substance abuse; DNA employee identification testing services; driver training services; and, on-the-job training that pays up to half of an employee's wages while they are in training.

WorkForce Essentials also has formed a strong working relationship with area chambers of commerce, an important intermediary for connecting with small and emerging businesses. They are members of nine chambers (one in each of the counties they serve) and are active in these chambers' workforce development committees. In addition, they co-host “business after hours” events and sponsor employees in year-long, community leadership training programs. They also helped a

local chamber obtain a U.S. Chamber of Commerce/DOL-funded "Academy," where local chambers learn about organizing and packaging workforce development services and serving as an intermediary.

The economy of Pittsburgh, PA has undergone a long-term transition from traditional manufacturing to a mix of new manufacturing and services. Easing that transition is the fact that Pittsburgh enjoys a long tradition of connecting workforce development and economic development strategies effectively. Moreover, its local workforce board — the **Three Rivers Workforce Investment Board** — has established an excellent reputation and track record for responding to the needs of their business customers.

The Board has adopted an industry cluster strategy that focuses on five industries (life sciences, manufacturing, technology, financial/business services, and hospitality/tourism), and has developed "industry indicators" that provide an early warning to industries that may be facing tougher times. The Board also launched the Regional Intern Center of Southwest Pennsylvania, which helps small and emerging businesses get the most impact from their student internships. In addition, the Board initiated "Talent Pittsburgh.com," which provides these businesses with labor supply data, and also catalogues the region's learning providers by industry cluster. Furthermore, by working closely with local foundations, universities, colleges, and other regional organizations, the Board highlights the importance of human capital as a competitive regional advantage, and helps broker solutions to problems that are not only workforce-related by making referrals to other service providers in the region.

Iowa Workforce Development (IWD) is the state workforce agency working through a delivery system that includes a network of 71 workforce development centers statewide. 56 of the centers are funded by employers through UI surcharges. Since business is underwriting the cost of these centers, business expects certain services–and the state legislature holds IWD accountable for this. Each year, IWD reports to the legislature the number of large and small businesses they serve by location, broken down by service category (e.g., recruitment assistance, compliance help, etc.).

IWD has designated 22 business representatives who are located within the local workforce offices, who are responsible for business outreach/development, and who perform individual assessments of workforce needs. Iowa law stipulates that each local WIB must assess business and community needs. In particular, IWD is focused on information technology, biotechnology, and financial services. Working closely with their business and industry partners, IWD is providing business customers with a variety of services, including recruitment assistance, employee handbooks, business roundtables, and labor market information. Their LMI, known for its ease of use, includes occupational employment and wage data, laborshed studies and other specialized surveys and analyses to assist businesses with recruitment, retention, expansion, and site selection. In addition, IWD provides information on the state's job outlook, employment conditions, wages, workforce development trends, and regional labor market profiles.

ILLUSTRATIVE CASE EXAMPLES

WorkSource, First Coast Workforce Development (Jacksonville, FL)

I. Background

The First Coast Workforce Development (FCWD) Consortium represents the six counties (Baker, Clay, Duval, Nassau, Putnam, and St. Johns) of Northeast Florida (and their local elected officials), and functions as the fiscal agent for federal funding. In addition, WorkSource (FCWD's local "brand") staffs the region's workforce investment board and oversees service delivery through the region's One Stop Career Centers. There is a One Stop Career Center located in each of the six counties, except for Duval County (in which the City of Jacksonville is located), which has three.

WorkSource contracts out its One Stop Career Center client case management to career consultants, and WorkSource hires a Center Director (or Center Manager, in the case of the smaller county One Stop Career Centers) who manages all employees in each One Stop Career Center, including ACS staff and employees from multiple public agencies. All told, there are about 275 people working under the FCWD umbrella, with about 30 on the corporate staff, including eight serving as Center Directors or Managers.

WorkSource works within the context of a growing economy. Over the last two decades, the region has increased the number of jobs by nearly 80%, almost twice the national average. Northeast Florida also has a heavy concentration of small and emerging businesses. More than half (53.6%) of all business establishments in Northeast Florida have four or fewer employees, and 94.3% of establishments have fewer than 50 employees. Only 2.7% of establishments have more than 100 employees. When WorkSource decided to use workforce resources as a strategic competitive advantage for its region, community leaders and workforce officials in particular recognized the importance of developing a strategy that targeted the needs of these companies since they are considered "the backbone of the regional economy." (WorkSource Strategic Plan, 2002).

WIBs throughout the state have been aided by some important actions taken by the Florida state legislature. The legislature enacted the Workforce Development Act of 1996, moving the state's workforce system toward the model envisioned in the federal Workforce Investment Act passed in 1998. The state statute also stipulated that multiple funding streams flow through the WIBs, in order to realize synergies and economies of scale. Consequently, funds from the Temporary Assistance for Needy Families (TANF), Welfare to Work, Wagner-Peyser, and WIA programs are managed by the WIBs, and WorkSource administers an annual budget of over $17 million from multiple funding streams.

The statute prompted a renewed sense of regionalism in the latter half of the 1990s, enabling the region's political leadership to consolidate two Private Industry Councils (one for the City of Jacksonville, and one serving the five surrounding counties) to create a single regional WIB (with largely new membership) serving the six counties. This arrangement enabled the region to move beyond more localized service areas that competed based on differences among the urban, suburban, and surrounding rural counties. By design, the regional economic development authority (known as "Cornerstone") serves the same six counties and is operated under the auspices of The Jacksonville Chamber of Commerce, further promoting the sense of regional collaboration.

II. Activities and Initiatives Addressing Small and Emerging Business Needs

Overall Strategy

WorkSource has taken a highly-strategic approach to the design and delivery of its workforce development services, particularly with regard to small and emerging businesses. In April 2001, WorkSource initiated an extensive strategic planning process, with the following components:

- A workforce profile documenting the region's workforce trends, including demographics and economic health compared to other regions;
- Best practice examples illustrating how other regions address the issues of greatest importance to their regions;
- A recruiting efforts analysis examining the connections between available training and economic developers' expansion and recruitment efforts;

- Surveys and focus groups for tabulating the workforce needs and expectations of the region's employers; and,
- A strategic plan defining the most pressing issues and goals (which included "small business needs"), and detailing a strategy and action steps to address them.

Ultimately, the strategy became an integral part of WorkSource's overall approach to the marketplace.

Understanding the Needs of Small and Emerging Businesses

WorkSource uses labor market information (LMI) as an important "door opener" and resource to the SEB community. WorkSource supplements the state LMI agency data by contracting out the local LMI collection and analysis functions to ERISS, a private, for-profit firm engaged in collecting, tabulating, and analyzing economic and labor market information for its customers. ERISS has conducted numerous labor market surveys under contract with local workforce boards, including WorkSource. The primary purpose of these annual surveys is to determine current job openings offered by local employers so that local workforce boards can deliver more responsive workforce development services to local employers and to guide job seekers to active job openings. The ERISS survey data are presented in an extremely usable format — a searchable web application that also ties data to job descriptions and education opportunities, among other features. The site also includes self-service modules for business and job seekers to post information and to connect.

ERISS prepares monthly salary updates, which staff can use to see changes in the region's labor market. While WorkSource does not employ a full-time LMI staff specialist, that function is performed by its Vice President for Marketing, who studies the data, determines applications for its use, and sees to it that it is applied through the One Stop Career Centers.

Market-Segmentation Strategy

The WorkSource staff found that small and emerging businesses generally are harder to reach, have fewer resources to invest, have a wide range of training needs, and have a higher cost per employee for training than larger firms. In short,

staff found that it takes as much time to meet and work with an SEB as with a large company, with potentially smaller impact per visit. Moreover, these companies are very independent by nature. Given these characteristics, the make-up of the region's employers, and its limited financial and human resources, WorkSource decided to focus on small and emerging businesses within targeted industries.

Cornerstone already had researched which industries should be targeted for recruitment and relocation to the Jacksonville area. With this data in hand, WorkSource decided to segment the market and determine its priority customers by industry and by firm-size, and devised a system to sort business customers into three tiers of service.

WorkSource aligned its targeted industry lists with those of the regional economic development partnership, focusing on key sectors, including biotechnology, aerospace, manufacturing, health services, corporate headquarters, and distribution. Its business consultants then researched these targeted industry sectors and began to specialize in meeting the needs of those industries. The business consultants divided the market along industry lines, rather than geographical territories.

In order to help apply resources where they were most needed, WorkSource launched three account levels ("premier," "key," and "business") to organize its approach to servicing businesses. Using a point system to rate firms on key indicators, it sorts employers into these three tiers and provides varying levels of service, accordingly. The assigned values and criteria (see below) are designed to provide SEBs with a good opportunity to achieve "key" account status. For example, small and emerging businesses would not fare well if the criteria only considered hiring volume. Consequently, WorkSource awards points for other factors such as average wages, employee benefits, established career ladders, etc. Technology is used to help companies that do not require much hands-on assistance. The "premier" level is reserved for those with the greatest need and the highest potential impact on the regional economy.

Each One Stop Career Center sorts both current and targeted new business customers by these criteria in order to establish the business customer account level. All local Workforce Development Board member businesses automatically are assigned "premier" status, and these accounts do not process through the normal scoring system.

WorkSource, First Coast Workforce Development (Jacksonville, FL)

WorkSource Regional Account Levels and Criteria

Triage Level	Name	Sort/Criteria	Lead*	Suggested Services
Top level	**Premier**	Score 12+ points on criteria list	Business Consultants	More intensive services provided by single point of contact. Preference for employed worker training.
Intermediate level	**Key**	Score 8 - 11 points on sorting list	Teams within Career Centers	More personalized service. Follow-up on job orders on a more regular basis. Basic screening services. Invites to job fairs and other informational forums.
Basic/Universal level	**Business**	Score less than 8 points on criteria list	Business Services Call Center	Electronic job listings with follow-up for renewal after 30 days. Online access to resources.

Value	Criteria
5 points	1.Business in region's target industries
5 points	2.Hiring volume, not less than 12 annually. Local recommendation that large percent of the hiring volume is for entry level/first wage jobs are entry level."
5 points	3.50+ full time positions (at one site or multiple sites, treated as one account)
3 points	4.Average wage target at $10/hour (averaged over multiple occupations that business employs/hires)
3 points	5.Business offers tuition reimbursement, structured skill advancement training, or outside training subsidies (i.e. short-term training while on the payroll.)
3 points	6.Promotional opportunities within company, or identified/structured career paths with income and skill advancement
3 points	7.Growing, as measured in number of jobs.
3 points	8.At least health care benefits.
2 points	9.Flexible scheduling (family-friendly practices)
1 point	10.If high turnover, identify cause. Business gets point for meeting criteria if turnover leads to identifiable advancement opportunities.

WorkSource, First Coast Workforce Development (Jacksonville, FL)

Employed (Incumbent) Worker Training

The WorkSource philosophy is that its work is not completed when the job seeker customer is placed in a job. Instead, it takes a longer-term view and develops an "income growth strategy" for the job seeker. In doing so, it makes an important distinction between "workforce development" — which occurs over time, and optimally in the workplace — and, "worker training."

Given its operating philosophy, WorkSource realized that it needed to offer employed (incumbent) worker training services for SEBs and job seekers as a just-in-time, customized solution that improves worker skills and productivity and helps to stabilize the workforce. Using cost-of-living data available from its economic development partners, WorkSource established a "self-sufficiency wage" of $23.00/hour for the Jacksonville region. This self-sufficiency wage, in turn, enabled WorkSource to provide services using WIA Adult funding to a broad spectrum of employed workers, including those in information technology and other high-skill categories, earning up to $23.00/hour. As a result of its expanding the eligibility for training, WorkSource now can serve more SEBs and workers. There are two staff persons assigned full-time to work across all six counties to assist with their needs.

By focusing on training employed workers at both lower- and middle-income levels, it helps those workers advance in their careers, thus opening up career ladders and helping to move more people into jobs. WorkSource uses TANF funds to meet the needs of the lowest-skilled workers in the community. In this manner, there are funds available to follow the entry-level worker and provide additional training in the work context for larger and longer-term impact.

WorkSource realizes a good return on its investment because employers share the training costs. On average, WorkSource pays 35% of the costs for employed worker training, and the employer pays the other 65% (the majority of which is an in-kind match for items such as worker salaries while in training, and training facilities and equipment). As a result, within a period of 18 months, WorkSource was able to supplement training costs for 1,230 employees at an average cost to WorkSource of only $751 per employee, compared to an average cost of $4,600 for each Individual Training Account (ITA). Moreover, the employed worker trainees require almost no support services expenditures, require no case management through the training process, and are much easier to track for retention and wage gain data.

Accordingly, WorkSource plans to continue to reduce the number of ITAs it issues this year as a way of stretching its limited financial and human resources to meet the greater need. Eventually, WorkSource anticipates that the staff members currently assigned to case management of trainees will be able to be reassigned to labor exchange functions for the 85,000 people who register for work each year through the One Stop Career Center system.

In the meantime, WorkSource staff note that the TANF rolls have been reduced from 12,000 in 1996 to 950 today. Continuing to track these new workers and engage them in ongoing work-based, skill-enhancement activities will help move them from entry-level jobs to economic self-sufficiency.

Strategic Partnerships and Alliances

WorkSource has developed an extensive network of partners among local public agencies, chambers of commerce, community-based organizations (e.g., Literacy Council of Northeast Florida, Small Business Resource Network), economic development entities, and business and industry associations (e.g., Florida Staffing Services Association). The extent and depth of these relationships are essential to the effectiveness of its business consultants, who are trained to address a broad set of business needs that are not necessarily related to workforce development. The business consultants address these needs directly, or by referring business customers to the right solution provider. In addition, the business consultants report back to the economic development councils about the issues they encounter with clients — thus, providing a valuable source of market data. Effectively providing this service requires awareness of the other organizations and services available, and sensitivity to the holistic needs of client companies, not just workforce issues.

One important illustration of its commitment to addressing the holistic needs of its business customers is WorkSource's support for the Enterprise North Florida Corporation (ENFC). ENFC is a local incubator providing coordinated, centralized access to experts that can assist technology-based and other high-growth companies accelerate their commercial success and prepare for capital investment. To this end, ENFC manages the North Florida Venture Capital Network, which provides access to early-stage investors, and the Technology Enterprise Center in Jacksonville, the region's first technology “accelerator.” ENFC currently houses 22 “gazelles,”

providing the following services: commercial market assessment, strategic planning, enterprise development, business planning, management team recruitment, resource networking, and access to investment capital.

WorkSource invests in ENFC for several reasons. First, the relationship provides insights into the workforce needs of emerging businesses before those needs become critical. WorkSource can assess the optimal way to meet those needs, either through One Stop Career Centers or through partners (like the Florida Staffing Association). Second, it supports proactive job creation, rather than solely reacting to the effects of the labor market on job seekers and employers. Finally, it positions WorkSource as the supplier of choice with, in effect, a "right of first refusal" to address the recruitment and screening needs of rapid-growth companies as they emerge from the incubator. The impact will be clearer when the companies that "graduate" start reporting job growth publicly, probably within the next 12-18 months.

Another important illustration of sensitivity to the holistic needs of business customers is the close working relationship that WorkSource has formed with The Jacksonville Chamber of Commerce and with Cornerstone. WorkSource's business consultants collaborate with the Jacksonville Chamber staff as well as with Cornerstone (which is housed at the Jacksonville Chamber) on numerous community efforts. WorkSource funds a position at the Jacksonville Chamber for the "Core City recruiting pilot project," an effort to expand businesses and attract employers to a lower-income, urban area of Jacksonville. Through the Jacksonville Chamber, WorkSource has access to an array of resources, including the Chamber Alliance of Small Enterprises, the local Small Business Development Center, the Economic Development Commission, and the Service Corps of Retired Executives.

III. Lessons Learned

WorkSource has articulated an explicit strategy for serving small and emerging businesses, and has built a management system and a network of partners and alliances to support the implementation of its strategy.

WorkSource is relatively unique in its examination of the labor market and employer data, its identification of the small and emerging business sector as an important target market, and its commitment to meet job seeker and employer

needs concurrently within this marketplace. The small-business focus is most evident in three areas: the 2001 strategic planning effort, in the work to include factors favorable to SEBs in the criteria for receiving services, and in the commitment to the ENFC and its support for emerging business sectors. Its organizational culture and structure as well as its performance incentives are aligned to support the successful achievement of the stated strategies. WorkSource's extensive network of strategic partners and alliances also provides the region's small and emerging businesses with access to a broad array of services that can meet their needs at various stages of the business life cycle.

The regional approach and state legislative framework support achievement of the WorkSource agenda.

While federal policymakers wrestle with the issues associated with funding consolidation (WIA, TANF, and Wagner-Peyser), Florida already has taken bold steps to coordinate funding streams and deliver quality and value to its workforce system customers. Moreover, the move to a regional workforce infrastructure and strategy (aligned with economic development regions) provides a tremendous advantage.

The WorkSource's "income growth strategy" reflects a sophisticated commitment to lifelong learning in the workplace, and its use of funds to support employed worker training is most creative.

By establishing a self-sufficiency wage of $23.00/hour, WorkSource has been able to use WIA Adult funding for employed worker training, while using TANF funding to meet the needs of traditional low-income populations. In the process, this approach demonstrates the relevance of the public workforce system to a broad range of employees, from the unemployed to skilled workers with upward potential, as well as employers.

Workforce New York, New York State's Workforce Development System

I. Background

The New York State Department of Labor serves as the State's primary advocate for job creation and economic growth through workforce development. The Department administers New York's unemployment insurance system, workforce investment system, labor exchange, and welfare-to-work programs. The Department also serves as the State's principal source of labor market information and offers a variety of services designed to help businesses find workers and people find jobs. The Department's Workforce Development and Training Division oversees the implementation of New York's workforce development system (whose brand name is "Workforce New York"), has oversight responsibility for the Workforce Investment Act, and administers programs that have businesses and job seekers as its primary customers.

Facing the challenges of these uncertain economic times, New York State workforce officials have committed to building a demand-driven workforce system to meet employers' needs for skilled and qualified workers. This commitment has been manifested through multiple and consistent investment of public (state and federal) funds to build capacity within state and local partners, and to enhance the confidence and support of the private sector, engendering a growth cycle of involvement, integration, and private investment in the system. One important component of this commitment has been a strategy recognizing small and emerging businesses as a critical element of the State's economy. Accordingly, Governor Pataki, the New York State Workforce Investment Board, the New York State Department of Labor, and the State's business community combined forces to support and stimulate growth in these companies to ensure the health of this vital economic resource.

The State has a proud tradition of strong local control. Working within the framework of the State's ten Labor Market regions, the State identified 33 local workforce investment areas, each with one or more One Stop Career Centers. There are currently 62 One Stop Career Centers in New York State. The One Stop Career Centers offer a single, customer-friendly, seamless delivery system of employment, education, and training programs. Representatives of these employment,

education, and training programs are co-located in the same single, physical location for the convenience of both job seekers and employers, along with a network of affiliated sites and electronic access points that comprise the system. Beneficial services for employers include the ability to list job openings and referrals, have access to the Talent Bank, LMI, tax credits, funds to train employees, information on labor law, and space in which to conduct interviews.

II. Activities and Initiatives Addressing Small and Emerging Business Needs

New York State provides an excellent example of a state workforce infrastructure playing a leadership role with its local partners in developing capacity and services valued by small and emerging businesses. New York State officials made a conscious decision two and a half years ago to invest WIA discretionary funding (from the 15% set-aside) to foster the ability of local areas to meet business needs, including SEBs. State officials launched a series of initiatives incrementally, building on lessons learned in each step. Overall, the State investment is $84 million, considerable especially in an environment where local allocations have been reduced substantially from prior years. Significantly, several local officials reported that they would not have been able to address business needs without the State's support.

Within the State's efforts to meet business needs is a concerted focus on targeting resources to meet small and emerging businesses' needs. Many of the initiatives cited below incorporated requirements that a specific portion of the funds serve SEB needs. These investments have provided local workforce investment areas with a significant value proposition to offer small and emerging businesses, and have served as a "door opener" to leverage these and other funding opportunities on behalf of their SEBs.

Strategic Training Alliance Program (STRAP) and Skill Shortage Assessments

The STRAP program is designed to identify and address employer demand for skilled workers, especially for high-technology jobs. To date, there have been awards totaling more than $32 million, with $2 million still available. The program, offered in conjunction with the State's economic development agency (Empire State Development), requires that not less than 20% of these funds be expended to meet the training and skills-upgrading of small and emerging businesses. Demand among small businesses exceeded the 20% minimum by a considerable amount;

indeed, most of the awards to date have gone to SEBs. To help demonstrate to workforce officials that businesses value these programs, this program requires a 50% employer match.

In addition to awards to businesses, the State also has provided awards to local workforce investment areas in support of their workforce development efforts. One such initiative — "Skills Shortage Assessment" — awards funding to local workforce investment areas to identify skill gaps and training needs of their local businesses. Phase I of this program made 32 awards totaling $800,000 ($25,000 per local area), while Phase II will award twenty more totaling $2 million.

Phase II sought to take the data from Phase I and develop strategies to address identified gaps. Additionally, almost $700,000 in awards have been made to local workforce investment areas ($75,000 each, with $25,000 bonuses available) to recognize promising practices in workforce development, with another $2.5 million obligated for future awards.

Moving NY Forward — Career Ladder/Mapping Career Ladders in Key Industry Sectors

As part of a framework for lifelong learning, the State has made funds available to businesses to train workers for positions in well-defined career ladders, with occupations and skill requirements delineated along a path of increasing wages and responsibility. To date, the State has made six awards totaling $415,000 within various industries and careers, such as automobile technicians; health-care technicians; medical-records technicians; nurses; optical technicians; furnace technicians; and, lab technicians. In addition, the New York State Department of Labor and the local workforce areas are working to help define and map career ladders for other key industry sectors.

The State views mapping career ladders as a vital tool for employers looking to attract and retain qualified workers. This is particularly the case for jobs resulting from new business opportunities created by emerging technologies (e.g., information technology, biotechnology, nanotechnology) and through the State's Centers of Excellence and Centers for Advanced Technology. Accordingly, the State has sought to establish a list of qualified consultants to assist the Department in facilitating local partnerships for career ladder exploration and development. To

date, three requests have been received to assist in the mapping of career ladders — two from workforce areas seeking to map careers around the information technology sector, and one in the food processing sector.

Building Skills in New York State (BUSINYS)

In light of the fact that workforce development is such a critical component of every strategic business plan, in June 2002, the State launched a $20 million training program so that businesses could apply on-line for grants to upgrade the skills of their current workforce. This BUSINYS initiative, developed in consultation with business representatives from several industries, allows companies to invest in their current workforce, and enables workers to gain valuable industry-recognized certifications or credentials. BUSINYS does not provide a wage subsidy nor does it require a business match to be included in the contract. However, the business match is implied, since the grant covers the costs of training and materials but not the cost of lost productivity or wages while in training.

BUSINYS is designed to provide short-term funding to businesses to train incumbent workers in specific skills needed by that business or industry and that lead to potential career growth and increased wages. For example, New York State is investing in process improvement training designed to help employees reduce production costs and increase efficiencies through processes such as lean manufacturing and six sigma. This yields good returns for all involved — companies show improved productivity, and individual workers learn transferable skills and/or obtain credentials.

To date, 216 contracts have been awarded totaling $11 million. Once again, most awards have gone to small and emerging businesses, demonstrating that this service is packaged in a manner that is appropriate for and accessible to SEBs. Each of the ten Labor Market Regions has received funds to ensure that businesses from each region of the State have the opportunity to benefit from the program. On-line applications are received on a continuous basis and are rated on criteria relevant to that particular labor market region (i.e., the importance of the applicant's business and relevance of the proposed training program on the local economy). Local workforce areas are involved in the rating of proposals received from their areas, and applicants are required to work with their local workforce areas to assess needs

and to identify the appropriate services and training that will benefit the applicants. Awards for individual applications may not exceed $100,000 (there is no minimum award amount, but average $50,000 per contract). The contracts are awarded for up to one year; however, an applicant receives bonus points if the proposed training is completed within six months.

Management E-Learning Pilot Program

The New York State Department of Labor, in cooperation with the New York State Workforce Investment Board, identified an opportunity to make high-quality, e-learning software accessible to companies to address a need identified to build the capacity of first-line managers in growing companies. The State offered access to this training at no cost to qualified businesses to assist in upgrading the skills of their first- and second-line management teams.

Through a contract with NY Wired, the program offers more than 450 courses covering a wide variety of management topics, such as communications skills, team-building, conflict resolution, negotiating, and project planning. Since small and emerging businesses often have difficulty in delivering structured training to employees, it is not surprising that most of the nearly 350 companies participating thus far have been small and emerging businesses. They have received awards valued at more than $700,000 that will provide training for 4,500 workers.

Accelerate New York

This program emerged from conversations with Empire State Development officials who observed that many of the State's employers had no business plans for growth. It also evolved from the State's analysis of previous sector-driven initiatives in advanced technology and manufacturing, where businesses' funding requests often did not demonstrate a strategic approach to training or provide a clear link regarding how the training would fit within the context of their overall company objectives.

It would be unusual to find a large, publicly-traded company without an articulated business plan. This program, therefore, is designed to help New York State's small and emerging businesses develop, update, or modify their strategic business plans, and identify and prioritize their related training needs. Under the allowable research provisions related to employed (incumbent) workers under WIA, qualified organizations, in conjunction with local WIBs, are invited to identify

an industry sector or sectors critical to the local economy. Bidders submit a plan outlining the number of businesses in that sector which they will engage in updating, modifying, or creating their business plans.

Starting in September 2003, the State awarded funds to each of the ten Labor Market Regions to ensure that SEBs from each region of the State have an opportunity to benefit from the program. The New York State Department of Labor has allocated up to $2 million for this program. Contracts have been awarded to those with expertise within various industry sectors, such as manufacturing; leisure and hospitality; agriculture; professional and technical services; information technology; and, health care.

Other Statewide Initiatives

New York State has provided almost $3 million in funds to businesses (through local workforce investment areas) to meet training needs identified in layoff aversion plans. In addition, the State awarded more than $10 million to firms to train technology workers (not necessarily within the high-technology sector), and $15 million to manufacturers to train workers. The manufacturing grants went to 85 contractors representing over 250 businesses of all sizes. Many of the grantees were small manufacturers funded through a consortium of businesses with similar needs. Finally, the State has committed over $825,000 to ensure that entrepreneurial services are made available through the local workforce system to assist aspiring entrepreneurs in evaluating the feasibility of starting a business, and to offset the costs of training and counseling services.

III. Lessons Learned

States are a powerful force for leveraging change in the public workforce system, including getting the attention of the small and emerging business community.

By investing the discretionary WIA funding strategically and consistently over time, New York State has taken decisive steps to engage the business community by offering a value proposition. More importantly for purposes of this study, the New York State example illustrates how state officials can package and target these initiatives to meet the needs of small and emerging businesses in particular. The various projects funded by New York State are designed to put resources of scale into the hands of these businesses quickly to help solve their immediate and practical workforce problems, including the skill enhancement of incumbent workers.

State leadership and funding support can help local workforce investment areas that are facing resource constraints to develop new products and services for businesses, including SEBs.

Depending on fluctuations in funding allocations, local workforce investment areas often are unable, on their own, to offer much in the way of services or training resources for business customers. The partnership between New York State and the local workforce investment areas demonstrates how to link significant State investments to local workforce areas in order to build system capacity and meet business needs. Local workforce boards and other intermediaries, such as small business development centers and manufacturing extension partnership centers, can help local employers access existing training resources, and the State can foster more localized support and direct connections to local One Stop Career Centers and partners. These sorts of relationships ensure that the State and local workforce systems work together on behalf of their business customers. For example, it is important for the State to build capacity and to illustrate roles for workforce boards so that employers understand the potential value of collaborating with them within their local communities.

Responding to the needs of business customers requires a fundamental understanding of their workforce development needs, and a commitment on the part of publicly-funded institutions to deliver valued services with minimum burden.

The New York State Department of Labor provides a good model for how a state supports local capacity development and builds bridges to business services. State officials launched a series of initiatives over two and a half years that have addressed local WIB and business needs, adapted to changing circumstances, and struck an appropriate balance between managing public resources effectively and minimizing recordkeeping requirements.

This is an ongoing challenge for state and local governments because of the uniqueness of working with small and emerging businesses. For example, many companies do not generate their own payroll information, and yet some of the data required for outcome tracking by the State requires that information. State contracting processes and paperwork requirements frequently are onerous. It is

often challenging to design State initiatives in a manner that achieves desired objectives (e.g., focusing investments on SEBs where skill building and training fit within their companies' strategic goals) because of the difficulty in accessing company information.

State investments that support business process improvements (e.g., business planning, lean manufacturing processes) can improve productivity and effectiveness, with benefits for workers, their employers, and their communities.

New York State supported several initiatives that enabled businesses to deliver training in and implementation of effective business processes to incumbent workers. These efforts represent a different type of investment in skill development because they teach process improvement methods, practices, and behaviors instead of occupational skills development. Typically, these investments in process skill development are part of a company's broader strategy to remain competitive. Providing funds to support an essential component of a mission-critical objective for a company is an excellent method of demonstrating the value of the public workforce system and its potential for strategic intervention.

North Valley (NOVA) Job Training Consortium (Sunnyvale, CA)

I. Background

The North Valley (NOVA) Job Training Consortium is the Workforce Investment Act-funded employment and training agency that represents a coordinated effort to align community resources and business opportunities among seven California cities. NOVA works in the heart of Silicon Valley, a 1,500 square-mile region serving as the hub of the information technology industry.

In addition to the many Fortune 100 companies based in Silicon Valley, Silicon Valley's small and emerging business (SEB) sector was legendary in the 1990s for its growth and innovation. This sector remains relatively robust despite setbacks over the last three years. Local officials estimate that 97% of the region's employers are SEBs (fewer than 100 employees), although a large percentage of people are employed by the larger companies in the region.

The majority of job seekers served through NOVA are dislocated workers, affected by mergers, acquisitions, downsizing or closures of their companies. As of January 2003, Silicon Valley's three-county region had an unemployment rate of 7.9%. Many of the businesses that made Silicon Valley the international center of technological innovation and productivity are the very companies now experiencing the greatest reductions in force.

According to California's Employment Development Department, Silicon Valley experienced a loss of 191,500 jobs in the two years from December 2000 to December 2002, representing roughly 18% of the region's total employment. Nearly half of these lost opportunities were within the high-tech sector, including research and development, manufacturing, and operations. The software industry alone suffered the loss of 21% of its jobs, and semiconductor and semiconductor equipment manufacturing and computer and communications hardware manufacturing decreased by 13% and 8%, respectively.

Until recently, dislocated workers within the region were able to transition to opportunities in other areas of the labor force without considerable difficulty. Now, times have changed — the region simply does not have the openings necessary to

absorb the number of workers dislocated by the downturn. For a region that comprises about 8% of the state's total workforce, it is astonishing to note that Silicon Valley contributed to 50% of the state's layoffs since 2000. It is acknowledged widely by economic development, workforce development, and other community leaders that job growth will depend on providing appropriate support to SEBs in the region.

Since its creation in 1983, NOVA has developed a portfolio of innovative service delivery programs that have evolved continuously to meet the ever-changing needs of the region's economy and customers. Starting with 15-20 staff members and an annual budget of about $2.5 million, NOVA employs more than 100 individuals and invests over $12 million annually to foster economic prosperity in the region. NOVA receives funding through various federal grants, the State of California, and businesses and private foundations, each of which comes with specific requirements and guidelines. NOVA offices are located as part of a cadre of one-stop workforce development organizations, with NOVA and the Sunnyvale office of the California Employment Development Department representing the anchor tenants in a campus-like complex.

The NOVA Workforce Board, in conjunction with the Sunnyvale City Council, is responsible for oversight authority and accountability for NOVA and the one-stop workforce development system. In addition, the Board provides leadership and guidance to NOVA in creating strategic alliances with businesses, the larger workforce development community, and other critical stakeholders. It contributes specific expertise on economic trends and indicators from key industries, develops the strategic plan, develops and monitors the annual budget, and sets performance expectations.

II. Activities and Initiatives Addressing Small and Emerging Business Needs

Mike Curran, NOVA's Executive Director, characterizes NOVA's approach to small and emerging businesses by saying "business services is a state of mind, not a program or a menu. We try to create a system that figures out how to say 'yes' to our clients." NOVA's business services include matching qualified candidates with the hiring needs of businesses; outreaching to businesses experiencing downsizing to facilitate a smooth transition for both employers and job seekers; and, developing

new training opportunities for local businesses. This list of business services is neither unusual nor targeted exclusively toward small and emerging businesses' needs. However, NOVA is exemplary in the extent to which it has listened to customers (including job seekers, major employers, the SEB community, and community stakeholders) and developed services to meet those needs.

Understanding the Needs of Small and Emerging Businesses

NOVA undertook an extensive exercise in 2001 to listen to the "voice of the customer" in thinking about its organizational structure and services to address job seeker and business needs. The process identified several important insights about its business customers, and helped them to understand how the needs of small and emerging businesses may differ from other business customers.

First, they learned that employers in general perceived NOVA as too complex and not easy to understand when it came to available employer services. This discovery has had implications for how NOVA labels, packages, and markets its services to the business community. Second, NOVA learned that it needed to broaden employers' images of available services. As the economy changed, more employers learned that NOVA could assist with their staff development challenges (supervisory and management training) and, subsequently, that NOVA could assist with talent development and employee retention as well as with staffing and outplacement needs. Finally, NOVA learned that small and emerging businesses responded especially well to personal relationships. For SEBs in particular, having a single point of contact for employers established and strengthened the personal relationships and removed some of the mystery, confusion, or suspicion about receiving services from this public agency. Moreover, closer relationships with SEB customers improved staff understanding of individual business needs. In addition, NOVA learned that they could provide valuable assistance, especially to small and emerging businesses, through partners (e.g., library research, etc.).

Interestingly and significantly, NOVA engaged world-class partners in this process. Solectron, a global electronics design and manufacturing company, and two-time winner of the Malcolm Baldrige award, and the Center for the Quality of Management, provided invaluable assistance. They helped to structure the process, translate findings into actionable items, and foster a culture of continuous improvement. The Northern California Human Resources Association helped with packaging services and marketing to local employers.

As a result of this "voice of the customer" process, NOVA restructured its physical location significantly, moving eleven offices to improve the customer flow around the campus and to concentrate resources by customer. It now offers resource-rich facilities — known as the CONNECT! Job Seeker Center and the CONNECT! Business Services Center — targeted at its two customers. NOVA's organizational staffing also changed in order to serve customer needs. Formerly, the organization chart was aligned to funding streams and programs (new programs brought new lateral boxes). Now, NOVA has three primary enterprises: Job Seeker Services, Business Services, and Business Operations (enterprise support), which addresses organizational effectiveness, data analysis, performance metrics, cycle time, and other performance indicators.

NOVA's Workforce Board members were very involved in the "voice of the customer" exercise, and this fostered their support for the new directions. In fact, the Board loaned staff to help focus the marketing changes, encouraged the development of stronger partner alliances, and furnished the new Business Services Center.

Labor Market Information

NOVA has a Workforce Publications team that produces numerous documents useful to employers, including SEBs. These include: Labor Market Information Plus; a series of industry studies; a collaborative multi-media Career Ladders project; and, newsletters on the Silicon Valley labor market. It also publishes an annual Occupational Outlook Report for Santa Clara and San Mateo Counties using funding from the State Employment Development Department's Labor Market Division and rapid response funds. In addition, it produces "Making Sense of the Census," which compares the demographic, social, and economic characteristics of the northern Silicon Valley.

NOVA's Labor Market Information Plus Project has particular utility for small and emerging businesses, though they are not the sole target audience. The project investigates emerging industries involved in the development and commercialization of new technologies, products, and services. The resulting reports provide in-depth information on an industry, from how it started to what its future holds. The reports also describe an industry's labor needs, typical job positions and their responsibilities, required or desired skills and education, where the job growth is or will be, and where to obtain the necessary education and skills.

It is noteworthy that Kaiser Permanente's internal workforce planning staff found NOVA's LMI work so valuable that Kaiser decided to align resources and partner proactively rather than simply to use NOVA's finished products. This complemented NOVA's other health-care initiatives to raise public awareness about available jobs that could ease the transition of the region's dislocated technology workers. In fact, through the leadership of Kaiser Permanente, NOVA helped lead a coalition of 14 hospitals and six Workforce Boards to compete successfully in 2003 for a Governor's Grant to build capacity and opportunity that will expand the pipeline for registered nurses. One component of the project includes using small health-care employers (e.g., pharmacies and medical offices) as an entry point for students to gain career awareness, job shadowing opportunities, and clinical experience.

Staffing and Outplacement Services

NOVA's staffing services, encompassing recruitment, pre-screening, assessment, and job matching, are available to employers of all types. However, because of the layoffs in the local economy, NOVA's outplacement services in particular are used widely by SEBs. Small and emerging businesses generally do not have the resources available to contract for private outsourcing services for their employees. Even when an SEB has engaged a private outsourcing service, NOVA complements and augments this by providing a broader array of services for a longer period of time than provided for by the private firm's contract. Moreover, as a public agency, NOVA links participants to a wide range of community resources that are of potential value in the transition process.

For laid off workers, NOVA provides networking forums for different types of job seekers. ProMatch is a service that NOVA and the Employment Development Department provide for job-seeking professionals at both management and individual contributor levels. Employers from the region speak at ProMatch membership meetings, and participants regularly post and update mini-resumes (called "profiles") on the Internet. Employers' staffing needs are posted in ProMatch's resource center. Other NOVA forums like "Proven People" (serving ages 55+) and "Youth @ Work" (serving ages 14-24) link SEBs with targeted employment opportunities to qualified job seekers. NOVA offers businesses free access to these placement pools, both of which include automated resume/job matching systems featuring a database filled with hundreds of job seekers with widely-varying levels of skills and experience.

Partnerships

Staffing and outplacement services always will be the core business of the workforce system. It is important to recognize, however, that WIA brings the ability and resources to address a relatively small subset of the broad range of people issues facing employers. At the same time, the workforce system has the opportunity to address this broader range of problems by providing access to the network of community resources (public, private, and nonprofit). These partners can deliver valuable services to employers in conjunction with the workforce system which, in turn, can build credibility among small and emerging businesses that will translate into deeper market penetration.

NOVA has numerous strategic alliances with other organizations that bring specific expertise to enhance the development and deployment of a service or initiative to the customer. Some partner organizations are located on the Sunnyvale campus, while others are located throughout the region. Known as CONNECT! (the one-stop workforce development system), other participants include local government, nonprofit training providers, community colleges and universities, and investors. The regional collaborative links employers and job seekers with career, training, and business development resources to promote economic growth for the region's businesses and their workforce.

One on-site partner uniquely serving the needs of the local innovation-oriented SEB economy is the Sunnyvale Center for Innovation, Inventions and Ideas (Patent and Trademark Library). Sc[i]3 is a partnership between the City of Sunnyvale and the U.S. Patent and Trademark Office, serving inventors, innovators, researchers, businesses, intellectual property professionals, and organizations in need of patent and trademark information and services. Services include intellectual property training; patent and trademark information and databases; videoconferencing; and, related industry research.

Similarly, the City of Sunnyvale provides a centralized on-site location for obtaining permits, licenses, and information on developing properties as well as operating businesses within the community. NOVA was instrumental in organizing the community effort to streamline the process for obtaining certain kinds of permits from 40+ days to just a few days in many instances, enhancing NOVA’s credibility as a problem solver among employers.

North Valley (NOVA) Job Training Consortium (Sunnyvale, CA)

NOVA is seeking to deepen and broaden the relationships among the 30+ partners involved in CONNECT! To that end, NOVA has created a matrix of the partners and services available through each. In coming months, they will refine the referral process across organizations. Part of this review will include an effort to structure, coordinate, and integrate relationships among different organizations' field staff, supported by more formalized agreements that provide some level of job matching (beyond the general sharing of any / all job leads). In sum, the partnerships within CONNECT! have the potential to address the wide range of services that all companies, including SEBs, need, linking to a broader range of service providers and information.

In addition, NOVA has a contract with the State of California's customized training fund — the Employment Training Panel — to address the information technology training needs of employers in the region with fewer than 250 employees. Known as TechForce, NOVA is now engaged in three activities: identifying clusters of small companies with similar technology needs; marketing the opportunity to small and emerging businesses; and, working with training providers to customize curriculum to address defined technology needs.

III. Lessons Learned

NOVA has dedicated considerable resources toward understanding customer needs first, and subsequently developing solutions that meet those expressed needs.

NOVA followed up on its extensive "voice of the customer" process with changes in its organizational structure, facility layout, and services offered, all designed to provide a better experience for job seekers and business customers, including SEBs. This process — part of an ongoing effort at continuous improvement — has increased the likelihood that NOVA will understand the particular needs of SEBs and have services that meet those needs. Moreover, the improved physical layout and revamped organizational structure encourage SEBs to approach NOVA for services, thus increasing market penetration.

NOVA has adjusted its marketing efforts and packaging of services from promoting individual programs and initiatives with distinct funding streams to marketing business services and addressing business needs broadly.

The "voice of the customer" process indicated that potential customers were confused by the NOVA message. Since then, while not compromising its brand, NOVA has moved toward publicizing services available through the web of partner organizations involved in CONNECT! This has the potential to streamline the message in a manner that appeals to SEB owners, thus answering the "what problems can you solve for me today?" question. Consistent with its shift in marketing, NOVA has recognized the need for increased sophistication in tracking employer client contacts. While the workforce system currently can provide many details about the individual job seekers that are NOVA customers, this is not the case for its employer customers. NOVA plans to expand its existing account management and targeted mailing database or employer client tracking system. This, in turn, will support its more targeted marketing approaches to particular business audiences, including efforts to reach small and emerging businesses, and its assessments of customer satisfaction beyond what is mandated by WIA.

Providing solutions to nonworkforce-related problems can build credibility and enhance the likelihood that small and emerging businesses will turn to the workforce system for assistance.

Small and emerging businesses can benefit from a model whereby the local workforce board is linked to a robust network of local service providers, well-positioned to meet a broad set of needs for SEBs. If the potential for the CONNECT! network is developed fully, partner organizations could package a suite of bundled services for employers. For example, after NOVA has provided outplacement assistance to laid off workers, it could refer the company to a Connect! partner for a detailed process review of the company's production practices. In turn, perhaps this would lead to identifying ways that the company could reduce costs and improve productivity, thereby minimizing the likelihood of additional layoffs. This would depend on providing through cross-training of staff a clear understanding of the resources available through partner organizations.

For small and emerging businesses, the link that NOVA provides to other community resources is a valuable service unavailable through private staffing firms or other providers.

North Valley (NOVA) Job Training Consortium (Sunnyvale, CA)

NOVA has identified needs among employers that require interactions with public agencies, such as obtaining permits for development, accessing library research, as well as providing information regarding the patent process. Larger companies frequently have staff dedicated to these functions, so small and emerging businesses are likely to benefit from these services. As a local public agency itself, NOVA is well positioned to assist employers in negotiating the intricacies of government agencies and in streamlining processes to yield better results for local SEBs.

Human Resource Investment Council, State of Vermont

I. Background

Vermont's Human Resource Investment Council (HRIC), an independent, Governor-appointed Council, was established to coordinate and align services to ensure the development and implementation of a comprehensive, flexible, and responsive workforce education and training system.

As a private-sector majority Council, HRIC fulfills two roles established under the Workforce Investment Act. First, HRIC provides a broad policy and oversight role in guiding strategic workforce development, including the investment of over $50 million coming from a broad spectrum of state and federal workforce development programs. In this capacity, HRIC includes the top-level leaders from key government agencies such as Economic Development and Social Services, along with the top leaders of the state's education and training institutions. Second, Vermont is established as a single-state service delivery area under WIA. Thus, HRIC functions as a statewide workforce investment board in planning and overseeing the direct investment of $7 million made available annually through WIA.

Vermont is a rural state of 615,000 people. Chittenden County and the City of Burlington, a small urban center located in the northwest corner of the state, are where the bulk of state's economic and employment activity occur. Population growth over the last ten years has been moderate, with gains of nearly 53,000 additional people. The rural character of the state has attracted not only tourists and part-time residents who maintain vacation homes there, but also a fairly steady flow of individuals and families who value the rural lifestyle. Because of limited economic opportunities in Vermont, these new residents often start businesses or engage in home-based occupations. Accordingly, Vermont is noted for its micro-enterprise development, including a few well-established firms now serving national markets, such as Ben and Jerry's that had its beginnings as a micro-enterprise.

Vermont is a state dominated by small and emerging businesses. In 2001, of the 22,000 private business establishments in Vermont, nearly 13,000 (or about 59%) reported employing four or fewer workers. Over 90% of all business firms in

Vermont had fewer than 20 workers on their payroll. In fact, only about 300 firms out of 22,000 reported more than 100 workers. However, these 300 firms employed a total of nearly 80,000 workers or about one-third of all private-sector jobs. From 1991 to March 2001, the number of manufacturing jobs in Vermont actually grew about 4.9%. Since then, as with the rest of the region and nation, Vermont has experienced a decline in manufacturing jobs–down from a high of about 49,000 jobs to about 37,000. Over 38% of manufacturing jobs were located in firms with fewer than 100 employees. In contrast, retail trade reported nearly 40,000 jobs, where over 50% of jobs were located in establishments with fewer than 50 employees.

Employment projections anticipate that 35,000 new jobs will be added to the economy by 2010. Business and health-care services continue to demonstrate significant increases. Projections of job growth by the year 2010 indicate that business services will add another 3,500 jobs, while health-care services will add about 7,500 jobs. Slow population growth, an aging population, and the out-migration of young people will contribute to a stable, but older, labor force and relatively low rates of unemployment. Vermont is expected to remain a year-round tourist destination and to maintain a support economy around this critical sector. The structure of the Vermont economy and the demographic challenges the state is expected to face will present formidable challenges for those investing in workforce development, and will present particular challenges for small and emerging businesses seeking to attract and develop the workers needed.

II. Activities and Initiatives Addressing Small and Emerging Business Needs

HRIC has taken a serious, comprehensive approach to strategic planning. The impetus for such planning is based on the recognition that the Vermont economy is making dramatic shifts. The loss of traditional manufacturing jobs and the infusion of technology into every workplace are having profound implications for the types of education and skills that Vermonters need to compete. Projection of slow labor force growth and the appearance of skill shortages in key economic sectors make workforce education and training a key determinant of future economic well-being. It is not surprising then “that the ability to create and sustain a skilled workforce has become the highest priority for economic development,” according to Vermont's most recent strategic plan. A combination of employer involvement and leadership, along with the active participation of key leaders from the government agencies

responsible for human capital investment, has created a powerful forum for tackling the challenges of workforce and economic development in a sustained and systematic manner.

The process of developing strategies for workforce development has been supported by a number of significant HRIC research and information-gathering projects:

Labor Market and Sector Analysis

In an effort to ensure that the public workforce development system remained responsive to the needs of job seekers and employers, HRIC initiated a program of economic and labor market research. Dividing the state into 11 distinct economic regions, researchers identified key economic sectors in each region, including construction, health care, manufacturing, travel and tourism. A local research team made up of representatives from the local WIB, economic development agencies, and schools was assigned to each of the sectors to gather and analyze available data and published reports. The data analysis and synthesis were followed by interviews with key leaders from each of the sectors. During this process of data-gathering and interviewing, researchers concluded that much of the formal data and available reports masked the needs and issues faced by small and emerging businesses.

Research on Business Needs and Workforce System Responses

The initial labor market and sectoral research set the stage for a more in-depth inquiry by the public workforce development system into the needs of business, thus providing the foundation for building responsive workforce development strategies and informing program and curriculum efforts. Research teams discovered that some Vermont employers were missing business opportunities because of a lack of workers. Furthermore, they found that the demands of daily business operations were preventing many employers from investing in their own workers. In the process of conducting their interviews, focus groups, and listening sessions, the researchers gained additional information about employee-turnover experiences as well as compelling evidence of unmet training needs. Additional focus groups were conducted with employers from each of the key sectors to ensure that business perspectives from these sectors were incorporated into program planning and development. As result of this comprehensive needs assessment,

HRIC ended up organizing several training initiatives, including projects focused on construction and information technology (IT).

Model Information Technology Project

As a part of its sectoral strategy, HRIC helped launch a research project focused on information technology employers and occupations. Recognizing that the information technology sector in Vermont consists of sole proprietors, micro-enterprises, and small and emerging businesses, HRIC funded a survey of information technology employers. The survey identified the lack of an available workforce as one of the constraints to growing information technology firms even though these firms paid above-average wages. Furthermore, these small information technology firms were isolated from one another and had no history of collaboration. HRIC helped locals translate the research findings into action. The regional workforce boards (see below) engaged with area businesses to develop a matrix of skill levels to better understand information technology job performance requirements. A more sophisticated understanding of information technology skill and job performance requirements was used to revamp the curriculum of the local community college to improve local workforce development in support of this important, emerging information technology sector. The National Science Foundation recognized this project by providing funding for continued curriculum development, including self-directed, skills-development modules that will permit more Vermonters to qualify for employment in this sector of the economy.

Business Forums and Listening Sessions

In addition to its substantive, action-focused research program, HRIC provided important leadership to ensure more regionalized and localized decisionmaking and planning for mounting workforce development strategies and investments. A cornerstone of this approach has been the establishment of business forums and listening sessions to ensure that the voices of business, particularly SEBs, are heard and are afforded the opportunities to participate in planning and decisionmaking related to workforce investments.

Establishment of Regional WIBs

While Vermont is established as a statewide service delivery area under WIA, HRIC initiated a voluntary process to establish regional WIBs. These regional WIBs are charged with preparation of regional workforce plans and the development of long-

term strategies most responsive to the needs of the regional economy and labor market. Regional WIBs may be stand-alone organizations or may choose to affiliate with local chambers of commerce or regional economic development organizations. Because most regional WIBs lack full-time, professional staff, regional WIB efforts and projects usually are carried out with partners, including Small Business Development Centers, Manufacturing Extension Partnership centers, community colleges, vocational-technical schools, and One Stop Career Centers. Regional WIB membership consists of community leaders, representatives from the business community, and professionals from regional education, training, and employment services. Regional WIBs function as conduits and organizers for projects designed to meet regional employer training needs and skill gaps. The regional WIBs also help administer the Vermont Workforce Education and Training Fund, a state-sponsored and state-funded program that serves over 2,400 Vermont workers by preparing them for high-skill/high-wage jobs in 18 new partnerships between employers and training providers.

In addition, the regional WIBs, with the assistance and guidance of HRIC, have implemented a business outreach program. These contacts are intended to help overcome stereotypes that exist among some employers regarding the public workforce development system, such as the charge that "the system has a social-work orientation" or "lacks an understanding of business requirements." Moreover, the regional WIBs play a significant role in helping Vermont schools identify industry and academic skills standards to inform curriculum and program development.

Finally, regional WIBs are committed to utilizing quantifiable measures to assess the efficacy of the workforce development programs. While no set of distinct measures has been adopted yet, the regional WIBs are examining alternative measures, including increases in worker productivity, changes in earnings in comparison to national trends, and the number of new training programs implemented in response to employer demands. The regional WIBs are struggling with the selection of evaluation measures that effectively capture the impacts of investments over the long run. This focus on evaluation and continuous improvement planning at the regional level suggests a serious commitment to accountability and to making workforce investments more responsive to employer and worker needs.

Technology Extension Division of Vermont Technical College (VTC)

VTC's Technology Extension Division (Division) designs and delivers workforce education and training for employers and individuals throughout the state. There are over 300 training modules and programs that already have been developed and that may be accessed by business and industry. The Division offers a training mix that includes degree programs, customized programs, and single training modules. They are able to work with both SEBs and large businesses, including service companies and manufacturing enterprises. An interesting aspect of the program that has attracted most of the Division's new business clients is an on-site assessment that pinpoints skill gaps in advance of delivering any training services. The staff at VTC works closely with employers to develop customized programs around firm- and job-specific requirements. Training programs may be delivered through five regional training centers located throughout the state or at employer sites. Having the locations spread statewide enables SEBs to access services more readily. The Division also works collaboratively with the Vermont Manufacturing Extension Center (VMEC), the state's affiliated manufacturing extension partnership center that is hosted on the campus of VTC. VMEC provides more than 30 public workshops annually, plus on-site training on a range of manufacturing-related improvement topics carefully targeted to the needs of Vermont's small manufacturers. VMEC then can assist these companies implement what they have learned.

III. Lessons Learned

HRIC has organized and implemented a comprehensive, long-term approach to ensuring that public workforce strategies and investments are responsive to the needs of businesses, especially small and emerging businesses. There are many important drivers that help explain the success of Vermont’s public workforce development system. As a small state, Vermont offers access and a high degree of interaction among community and business leaders. For the most part, it is the small-business owners and entrepreneurs serving on state and local advisory councils who assert the most influence over public policy and, consequently, the SEB issues and concerns receive the most attention. The interaction between the business community and the public workforce system is guided by a sense of pragmatism in solving economic problems and in meeting business growth challenges. Leaders of the public workforce development system have enjoyed an

unusual tenure in working together and in collaborating with other key agency and institutional leaders. This collaboration has produced sustained efforts that cut across institutional boundaries and leverage resources to get the job done. Some insights and lessons from an examination of Vermont's public workforce development system include the following:

A well-organized strategic planning effort is essential to charting and managing progress.

To assess and respond to the needs of Vermont's small and emerging businesses in a systematic manner, HRIC has developed a long-term strategic focus. The strategic planning process has been established, supported, and maintained over a number of years. The most recent strategic planning document establishes clear goals, identifies action steps and activities to be taken by specific organizations, and introduces measures and indicators for accountability. The plan reflects a collaborative effort by public leaders and Vermont's business community encompassing the needs of small and emerging businesses and their workers. Clarity of vision, mission, and goals, supported by a system held accountable with performance measures, instills a sense of confidence that the state is using limited public workforce investment funds wisely within a strategic framework.

A deep and sustained commitment to researching the economy, labor markets, and employer needs is apparent.

Vermont's workforce development strategy is informed and driven by a fundamental understanding of the workings of the statewide and regional economies. The identification and analysis of key economic sectors, followed by in-depth analyses of the SEB needs for these sectors, are used to stage a focused workforce investment strategy. For example, it became apparent to researchers and analysts that many of the standard research and information products being produced failed to identify and focus specifically on the needs of SEBs. Consequently, staff conducted additional focus groups with the small and emerging business sector to ensure better understanding of needs by those planning and developing workforce programs.

Human Resource Investment Council, State of Vermont

Regional planning and employer involvement provide a foundation for making responsive workforce investments.

When choosing a strategy for securing regional employer participation in developing more responsive workforce development programs, HRIC opted to establish regional WIBs on a voluntary basis. They serve as an important forum to gather and assess SEB needs, formulate workforce development strategies, and facilitate program designs and curriculum development in conjunction with other regional partners and institutions. These regional boards serve as an important intermediary between the needs of small and emerging businesses and the agencies and resources available at the state level. The relatively low level of funding required to operate these regional WIBs speaks to the pragmatism that pervades Vermont.

A capability for designing and delivering workforce education and training flexibly is key to helping small and emerging businesses upgrade the skills of their employees.

Programs and capabilities, such as those offered by the Technology Extension Division of Vermont Technical College and the Vermont Manufacturing Extension Center, are needed by small and emerging businesses that often lack the capacity or expertise to design and deliver training to improve worker performance and enterprise competitiveness. However, the pricing of these services needs to be considered carefully so that they remain affordable for SEBs.

Overall, Vermont offers those responsible for planning workforce development strategies within rural areas some outstanding examples of how to harness the capabilities of multiple organizations with limited funding. Vermont provides examples of disciplined processes where research and action are connected to solve SEBs' challenges. There is a clear sense that, in Vermont, private-public partnerships are valued and used to solve practical problems and to encourage economic growth.

San Diego Workforce Partnership (San Diego, CA)

I. Background

The San Diego Workforce Partnership (SDWP) has been operating since 1974, when a joint-powers arrangement between the City of San Diego and the County of San Diego created what is now a public-private nonprofit corporation. SDWP has an annual budget of $60 million, which provides funding for its job training and education programs that create workforce solutions for the region's employers. SDWP is very cognizant of the critical role that its small and emerging businesses play in the region's job creation and economic prosperity. At the same time, SDWP serves as the employment and training arm of the region's economic development efforts to ensure a skilled, productive workforce and a healthy local economy. SDWP has a regional network of six One Stop Career Centers, an on-line center, three military Career Advancement Centers, business strategists, a special labor market unit, and youth workforce development programs.

The San Diego region makes for an especially illustrative case example since it is so geographically-diverse, comprising urban, suburban, and rural areas. Consistent with its market-segmentation strategy, SDWP divided the entire region into six smaller regions to address the different geographical, job seeker, and employer needs throughout the region: South County, East County, North Island, North Coastal, South Metro, and the Metro region. SDWP has located a One Stop Career Center in each of these six smaller urban, suburban, and rural centers, with one in Escondido, Oceanside, El Cajon, Chula Vista, Kearny Mesa, and central San Diego.

San Diego's economy has been in the process of restructuring and diversifying. During the early 1990s, the restructuring caused the closure of many businesses (mostly in the manufacturing sector) and cost the region thousands of jobs that supported middle-income households. Many traditional manufacturing industries and occupations are expected to continue to stagnate or decline.

At the same time, an important part of the region's diversification has been the successful expansion of its emerging-growth technology clusters. Employment in the region has become increasingly knowledge-based and services-industry related. As a result of this restructuring and diversification, the San Diego economy is projected to create over 184,000 new jobs by 2010 (an increase from 1.4 million to 1.6 million in 2010).

There are more than 75,000 businesses in the region. While there are several large employers within the region, significantly, 95% of these employers (71,271) are small and emerging businesses with fewer than 50 employees. These SEBs, in turn, employ 43% (435,100) of the total number of employees (1,014,000) in the region. At the same time, small and emerging businesses provide 35% or $3.26 billion of the region's total payroll of $9.24 billion.

II. Activities and Initiatives Addressing Small and Emerging Business Needs

As result, SDWP has adopted sophisticated market-segmentation and marketing strategies, primarily organized around industry clusters, and recently reorganized its operation to implement these strategies. Because of the importance of small and emerging businesses in the targeted sectors, SDWP has been cognizant of how their strategies and services will impact the special needs of SEBs.

Those workforce strategies include solutions appropriate for large or small businesses: recruiting top talent, locating education and training resources, developing creative strategies to retain and motivate employees, and providing layoff and downsizing assistance for employers. Through its team of seven "business strategists," SDWP provides employers with several services, including workforce transition strategies, hiring resources, and training assistance. These services are offered at little or no cost, and incorporate the services of many important SDWP partners, including community colleges and the state's Employment Development Department. The business strategists are appreciated, especially by small and emerging business customers who value the relationships, their specialized industry expertise, and their personal assistance.

Labor Market Information

In addressing the challenges presented by the new economy, SDWP has made effective use of labor market information, and has studied economic clusters that have prospects for high employment and/or high wages. Building on the work of the San Diego Association of Governments, SDWP identified 16 industry clusters as key elements of its market-segmentation strategy to regain economic prosperity for the region. These industry clusters are complementary, competing, and interdependent industries that drive wealth creation in the region, representing 34% of the region's employment and 27% of the region's employers.

Ten of these 16 stand out as having the highest number of employees, the highest employment rates, the highest wages, and the highest wage growth rates: Biomedical Products, Biotechnology & Pharmaceuticals, Business Services, Communications, Computer and Electronics Manufacturing, Defense and Transportation Manufacturing, Entertainment and Amusement, Medical Services, Software and Computer Services, and Visitor Industry Services. Biomedical Products and Biotechnology & Pharmaceuticals have been combined to form a Biosciences cluster, while Visitor Industry Services and Entertainment & Amusement have been combined to form the Visitor Services cluster.

To help better understand its customers' (job seekers' and employers') needs, SDWP conducted industry surveys and then published industry studies in 2000 and 2001. Combining publicly-available LMI, local survey data from employers and employees, interviews with industry leaders, and an analysis of employment and payroll data at the local and state levels, these surveys and studies covered industry structure, occupations, wages, and education and training opportunities. With this LMI in hand, SDWP formed a coalition of employers, educators, employees, industry associations, and policymakers. Once formed, the coalition created "strategic workforce development plans" for each industry cluster — an outline for community strategies for workforce development in each industry.

In turn, these industry strategic plans, cluster reports, and surveys have become effective marketing tools that help SDWP demonstrate its value and help build its credibility within the region. For example, its business strategists use these studies as a "door opener" when meeting with employers for the first time. Employers often are surprised to find that the reports contain information about their industry in the region, information that they did not know due to their principal focus on their own company. These studies particularly have helped build SDWP's credibility with SEBs, because they provide information about industry trends and practices well beyond what is available to a typical small-business owner. The region's community colleges find them helpful in developing new educational programs and curriculum.

In order to broaden the impact of the LMI studies, SDWP also developed a series of training modules for staff. They asked (for different categories of staff) "how would you do your job differently now that you have access to information about these

industries in the region's labor market?" For example, one training module is designed to help One Stop Career Center personnel and education and training providers use LMI in providing better assistance to job seekers. In addition, SDWP's team of business strategists also received training so that they could serve their assigned industry clusters more effectively. Additionally, SDWP plans to provide staff with increased access to web-based tools (e.g., the state's education and training database).

Industry Cluster Strategy

SDWP is noteworthy for its ability to develop and implement a market-segmentation strategy based on its data collection, needs analyses, LMI, strategic plans, and initiative designs. Its strategy is not focused on the size of a company, but instead is a "cluster strategy," one that is industry-focused and cognizant of the diverse geographical, job seeker, and employer needs within the region. This, in turn, has led to several changes in its methods of operation.

For example, while each industry cluster has some very large companies, the vast majority of cluster companies in most of the targeted industries are small and emerging businesses. Consequently, SDWP recognizes the need to consider the impact of strategies and the accessibility of services on these SEBs. In order to develop closer one-on-one relationships, SDWP placed a team of account executives, business strategists, and researchers in each of its One Stop Career Centers to be closer to the SEBs.

Consistent with its overall market-segmentation strategy, SDWP placed a One Stop Career Center in each major geographical region of the area, to ensure that the distinct needs of the urban, suburban, and rural communities are met. In addition, each business strategist has been assigned to an industry cluster and acts as a liaison between the businesses and SDWP. SDWP continues to expand the breadth of services provided to employers, to identify new outreach opportunities, and to package its services more effectively by reassigning its principal marketing executive to serve as a member of the business strategy team. By doing so, SDWP hopes to meet the ongoing challenge of clarifying the roles and responsibilities internal to the workforce system (the WIB, WIB staff, SDWP / One Stop Career Center staff) and external (different partners and participants) in designing and implementing its market-segmentation strategies, thus mitigating or eliminating any internal conflicts or customer confusion.

A Path to Prosperity

Recently, SDWP released a seminal publication titled "A Path to Prosperity: Preparing Our Workforce." This publication chronicles the related workforce development problems encountered, how these issues have been addressed, the successes achieved to date, insights into the keys to success, alternative strategies or methods for consideration, as well as next steps for building on lessons learned.

The publication paints alternative pictures of the region's economic future: 1) a diverse economy with a strong projected growth in employment, as well as an expansion in the proportion of high-income jobs available for the region's residents; and, 2) an economy unable to fill the region's available high-tech and high-wage jobs, with a widening division between the "haves" and "have nots" (for example, more than 25% of the region's workers earn less than a "living wage").

The publication serves as a "call to action" to government leaders to adopt the policies necessary to support the expansion of high-tech, high-wage jobs. It urges the region's residents (both current and future workers) to seek and acquire the education and training needed to be productive members of the workforce. It implores the region's educators and trainers to meet the needs of the region's employers and residents in two key areas:

1. to prepare residents for the high-tech, high-wage jobs that the burgeoning technology sector is producing; and,
2. to develop education and training opportunities that will allow low-wage earners to climb "career ladders" to economic security.

In addition, the publication provides a road map for the future. For example, industry representatives and educators have begun to communicate on a regular basis to ensure that the region's educational institutions are offering the right programs and courses, and that graduates leave with the skills needed to succeed on the job. To that end, SDWP has joined with the San Diego/Imperial Counties Community College Association to form "Workforce Alliances" in five key industries. These alliances, composed of industry and education leaders, ensure that the region's education and training programs are aligned with industry's needs throughout the region.

III. Lessons Learned

San Diego provides an example of a workforce area that, through a broad industry cluster strategy, ensures that the needs of small and emerging businesses are met.

SDWP's market-segmentation strategy is not focused on the size of the company, but instead is industry cluster-focused. While each industry in the region has some very large companies, SDWP leadership is cognizant that, as they develop strategies and package and deliver business services, the vast majority of cluster companies in most targeted industry clusters are small and emerging businesses.

Accordingly, SDWP has incorporated small and emerging businesses into its planning and initiative design and implementation at every opportunity.

For example, SDWP holds an annual "Workforce Summit" at which small and emerging businesses and other employers gather to discuss many of the workforce issues and strategies for meeting the workforce needs. As a complementary initiative, SDWP has developed and introduced a tailored seminar curriculum ("Hire Ground") designed to assist employers (especially SEBs) in crafting unique business strategies that meet their specific needs.

Labor market information, when packaged well, can be an effective tool for building credibility with small and emerging businesses.

SDWP has studied 16 economic clusters that have prospects for high employment and/or high wages, and have identified ten that have the highest number of employees, the highest employment rates, the highest wages, and the highest wage growth rates. LMI provides a good "door opener" when meeting with employers for the first time, since LMI contains industry information that SEBs often do not have due to their single-company focus; the region's community colleges find LMI helpful in developing new programs and curriculum; and, LMI has helped build SDWP's credibility with the region's industry associations.

San Diego Workforce Partnership (San Diego, CA)

Having a single point of contact for individual businesses and/or industries can minimize confusion, and help the workforce system better understand the particular needs of employers, including those of small and emerging businesses.

SDWP is developing closer one-on-one relationships between business strategists and the region's businesses. By designating the business strategists as the principal liaison between the companies and the workforce system, confusion or conflicts surrounding the roles and responsibilities internal (the WIB, WIB staff, SDWP / One-Stop Career Center staff) and external (different partners and participants) to the workforce system can be mitigated or eliminated.

The WorkPlace, Inc., Southwestern Connecticut's Regional Workforce Development Board (Bridgeport, CT)

I. Background

Since 1994, as Southwestern Connecticut's Regional Workforce Board, The WorkPlace, Inc. has been administering workforce development funds and coordinating providers of job training and education programs that meet the needs of job seekers and employers within the 20-community Southwestern Connecticut region. While 53 of Connecticut's 100 largest companies reside in the region, 95% of the region's employers are small and emerging businesses employing fewer than 50 employees. The vast majority of The WorkPlace's no-cost workforce development initiatives benefit small and emerging businesses throughout the region. The region has four distinct labor markets, with considerable economic diversity, and encompasses urban, suburban, and rural areas.

In Southwestern Connecticut, three economic and demographic trends are colliding:

1. population growth is low and predicted to remain low;
2. job growth is predicted; and,
3. full employment continues despite the recent recession. Its slow population growth (an estimated 2% increase by 2008) and slow labor force growth (an estimated 52,000 labor force deficit by 2008) are influenced by rising housing costs and transportation difficulties. This region has the highest per capita income ($39,603) and the highest cost-of-living in the country. The region has enjoyed low unemployment for a considerable period of time (consistently below 5% throughout the economic downturn). Consequently, employers face a considerable challenge finding replacement workers, and small and emerging businesses are impacted most of all.

II. Activities and Initiatives Addressing Small and Emerging Business Needs

Over the last decade, The WorkPlace has concluded that small and emerging businesses in particular lack expertise and/or resources when it comes to providing education and training to their workforces. Also, they have found that it is easier to serve large companies than smaller ones, in part because of the nature of SEBs and in part because of the structure and design of the workforce system.

The Workplace, Inc., Southwestern Connecticut's Regional Workforce Development Board (Bridgeport, CT)

The WorkPlace operates a widely-respected business services program. This program includes several noteworthy activities and initiatives that effectively address small and emerging business needs. These include: 1) planning and LMI for job seekers and SEBs; 2) convening SEBs to address common needs and to access resources; and, 3) increasing individual training accounts (ITAs) for job seekers and SEBs.

Planning and LMI for Job Seekers and Small and Emerging Businesses

The WorkPlace undertakes an annual planning process that consists of: 1) environmental scans; 2) a community audit and needs assessment; 3) regional public planning meetings; and, 4) plan development with planning committee review. This intensive effort is designed to evaluate the economic climate and build consensus among stakeholders on action steps for The WorkPlace. This process has helped the Southwestern Connecticut Regional Workforce Development Board to address the most challenging problems facing the employer community and to ensure that its services meet SEB needs.

Analysis of the regional economy determined that 95% of the businesses in the region employ fewer than 50 employees. This information led to the creation of activities and initiatives that address the needs of these businesses, including some cluster initiatives to address common needs across companies (see below). Economic development entities, community members, and other stakeholders frequently are included as partners in the research and planning process, and benefit by feeling invested in the plan and gaining understanding of the workforce challenges.

The environmental scans are "snapshots" of the economic condition of the region's workforce investment area. The scans, which are done in alternate years from the community audit needs assessment, highlight trends in population, labor force, dislocated workers, unemployment rates, education and skills training, industry projections, transportation issues, and the current economic environment. The community audit needs assessments are in-depth studies of economic data, similar to the scans but on a much larger scale. For example, a recent assessment shows that the region averages 3,700 new job openings each year, with a total workforce of 417,000. Since 8,300 workers die or retire each year, there are 12,000 new or replacement jobs open each year. To meet this challenge, the region is importing workers from New York, New Jersey, Hartford, CT, and New Haven, CT.

The Workplace, Inc., Southwestern Connecticut's Regional Workforce Development Board (Bridgeport, CT)

The regional public planning meetings involve individuals from business, local chambers, developers, training providers, educational institutions (high schools, universities, and community colleges), community organizations (including faith-based organizations), and government (municipal and state economic development officials). The attendees review a draft plan and discuss concerns uncovered in the needs assessment, as well as how to address these issues. The input from the public planning meetings is incorporated into the draft plan and then presented to the Planning Committee (comprising a cross section of the workforce system), which reviews, revises, and ratifies the plan that becomes the annual strategic plan for The WorkPlace.

In addition to using the plan internally to set The WorkPlace's work agenda, the community audit and plan (which is posted on its website) are used to guide the workforce development initiatives of its partners and community-based organizations. The plan also contributes to The WorkPlace's marketing strategy (see below).

Convening Small and Emerging Businesses to Meet Common Needs and to Access Resources — Over the last few years, The WorkPlace has launched several activities and initiatives targeted at small and emerging businesses in the region. These efforts are designed to make incumbent worker training available and affordable, to meet other needs identified in common across SEBs, and to access other resources as needed. The following paragraphs describe several of these initiatives serving primarily small and emerging businesses:

FlexBuild — With the help of a $552,000 U.S. Department of Labor (DOL) demonstration grant and initial training assistance from the Literacy Volunteers of America (LVA), this innovative, two-year program trained 314 incumbent employees within two Bridgeport, CT small manufacturers in ISO9000 procedures, English-as-a-second-language, math, reading, writing, computer literacy, accurate data transfer, and leadership development. This initiative was significant for two reasons. First, the work was referred to The WorkPlace by LVA, grew directly from their working relationship and partnership, and served as an early example of how The WorkPlace is brokering access to other resources. Second, the initiative represented The WorkPlace's initial foray into playing the role of convenor, thus serving as a model for the METAL and the H-1B training described below.

The Workplace, Inc., Southwestern Connecticut's Regional Workforce Development Board (Bridgeport, CT)

METAL — This program represents a collaborative model that successfully shares training for workers who have outdated job skills or have been dislocated. It began as a cluster of ten (many family-owned) small Bridgeport metal manufacturers. The WorkPlace brought the companies together with the help of a $125,000 start-up grant from the Connecticut Department of Economic and Community Development, followed by a $1.7 million demonstration grant from DOL. 94% of the employees that went through the program were retained. When the DOL grant ended in June 2002, the cluster incorporated as a membership organization known as METAL (Metal Manufacturers' Education and Training Alliance). Member manufacturers continue to work together to support a skills and lean manufacturing training program. The employers involved recognized some additional common needs and opportunities once convened. Interestingly, they established a joint-purchasing program to obtain volume discounts, and joined forces to bid on new work for which they would not have been able to compete individually.

H-1B Training — As in other areas of the country, high-paying new jobs in the region's manufacturing, health-care, technology, and finance industries are filled by foreign workers receiving H-1B visas. Last year, employers within the region applied for 9,000 H-1B visas. To help address this phenomenon, The WorkPlace won an H-1B visa grant to provide technology training to 540 incumbent workers of mostly small and emerging businesses located in the Norwalk-Stamford area. This program has resulted in promotions, and increased wages for individual participants as well as access to higher-skilled technical jobs. About 90% of the trainees completed the program.

Southwestern CTWorks — A project of The WorkPlace, Southwestern CTWorks encompasses the region's three local One Stop Career Centers which are operated by Career Resources, Inc. Employer services offered by the One Stop Career Centers include drug screening, testing Microsoft Office software, and driving record and background checks. Many of these employer services are outsourced to private-sector providers. The One Stop Career Centers also have two staff, one business representative, and one community services coordinator, dedicated to working with employers. The community services coordinator serves as an important bridge to other community resources, thus broadening the scope of employer services provided by the One Stop Career Centers. Next year, the

The Workplace, Inc., Southwestern Connecticut's Regional Workforce Development Board (Bridgeport, CT)

One Stop Career Centers plan to launch an "infoline," a service link that will allow them to refer employers to many other service providers. Working with the United Way, the community services coordinator will manage the "infoline."

Increasing ITAs for Job Seekers and Small and Emerging Businesses

There are 140,300 gainfully-employed low-wage workers (i.e., a family of four with a household income of less than $38,000) in the region who lack basic skills. The WorkPlace views Individual Training Accounts as an important vehicle for providing lifelong learning to these low-wage and low-skilled workers. The WorkPlace concluded that government funding needed to be invested first and foremost in ITAs and, secondarily, in infrastructure. In addition, The WorkPlace decided to supplement the number of ITAs available by seeking and obtaining $3.3 million in private funding from 49 employers and foundations. Moreover, The WorkPlace made a policy decision to set aside about 20% of its ITA funding (or, 85 of its 500 ITAs) to address the needs of low-wage, low-skilled workers.

Additionally, at the direction of the Southwestern Connecticut Regional Workforce Development Board, The WorkPlace developed a new strategy and initiative — an Academy for Career Advancement — to promote and deliver education and training to low-wage, low-skilled workers in the region. The WorkPlace considers workers a great potential asset, and believes that asset-building can reduce the region's income inequity and poverty while enhancing wealth, the standard of living, and financial literacy. The Academy provides a system that allows low-wage, low-skilled workers to receive up to $3,000 for individualized training and career plan development programs offered by a wide range of providers. The Academy goal is to focus on 3,000 low-wage, low-skilled workers over five years that can be placed on a career track leading to high-wage, high-skilled jobs. Given the demographics of the region and the data indicating that the vast majority of ITA recipients will be employed by small and emerging businesses, these companies become the ultimate beneficiaries of the additional education and training.

III. Lessons Learned

The planning process is a critical component in the success of The WorkPlace and its ability to impact Southwestern Connecticut's economy and small and emerging businesses in a positive fashion.

The planning process is used to identify the trends in the regional economy, assess the changing condition of small and emerging businesses, large corporations, and industry clusters, and clarify the problems and issues facing job seekers and employers in the area. The identification of these issues provides the basis for the regional workforce development plan. The results of this process allow for a greater understanding of the workplace issues and problems facing the Southwestern Connecticut workforce, the development of cluster initiatives to help bring together companies by industry, and an empirical basis for justifying the need for funding of these projects. In addition, the needs assessment becomes a valuable information resource for employers in the region.

The WorkPlace enjoys the advantages of active Regional Workforce Development Board leadership.

The Regional Workforce Development Board, The WorkPlace's 48-member Board, has focused heavily on outcomes and results. They have identified much flexibility under WIA, which has allowed them to go beyond DOL's performance metrics and to stretch the workforce system to the maximum, especially when it comes to addressing the human capital needs of SEBs. In fact, while The WorkPlace has received 14 competitive grants with federal reporting requirements, none of these grants is as demanding as the Board's own performance metrics, according to staff.

The WorkPlace has made incumbent worker training and lifelong learning (especially for low-income, low-skilled workers) a high priority.

Through effective planning and strategy-setting in its use of WIA formula funds, as well as employer matches and $3.3 million in private funding, The WorkPlace has been able to set aside about 20% or 85 of its 500 ITAs for low-wage, low-skilled workers. These public-private projects have elements common to their success. The WorkPlace provides the administrative infrastructure and interface with DOL. Employer partners, both large companies and SEBs, provide in-kind contributions and matching funds. Other partners, such as community colleges, literacy volunteers, economic development organizations, and chambers of commerce complete the mix of training providers and support catalysts. The lifelong learning takes place at the work site and during work hours — both critical incentives to boost small and emerging businesses' support and cooperation as well as employee

participation. Most importantly, employers (large and small) govern the projects, decide the content of the training, where and when it will be offered, and who is eligible. The WorkPlace continues to build on the common elements of these projects and is seeking further funding from DOL and private foundations to support additional incumbent worker training projects which, as noted above, ultimately will lead to high-wage, high-skilled jobs mostly within SEBs.

The WorkPlace utilizes WIA funding to engage in effective marketing to employers.

Marketing to employers is critical to success, especially with regard to small and emerging businesses. The WorkPlace regularly shares lessons learned about the benefits of lifelong learning and incumbent worker training in its presentations to civic and business organizations. Its marketing strategy emphasizes incumbent worker training as a key to employers' (especially SEBs') bottom line. Also, they encourage small and emerging businesses to invest in current workers' skills more than ever in order to maintain their economic health, and it alerts small manufacturing firms and those in the services industry that they particularly are at-risk in a fast-changing economy.

In turn, The WorkPlace's marketing strategy is very much a part of the process used to build confidence with the SEB community. By sharing new information and data regarding the true dimensions of the workforce, encouraging them to visit a One Stop Career Center, establishing a good track record with employee referrals, and emphasizing the importance of lifelong learning, The WorkPlace has demonstrated to the owners of small and emerging businesses that the regional workforce system works. As a result, business owners now approach The WorkPlace and the One Stop Career Centers for information and guidance.

SYNTHESIS: PROMISING PRACTICES TO REPLICATE OR ADOPT

Short-Term Strategies

Employer representation on and active private-sector leadership of WIBs are critical to ensuring that the system meets employer needs.

All of the sites we visited share a common characteristic. They recognize that business involvement and leadership at the state and local level are the keys to building a successful workforce development system. These sites look to the business members of their boards to help articulate strategies and plans for the workforce system. Furthermore, they look to the business members of their boards to help make connections to the business community to build confidence and trust. In turn, these business members take an active role and set standards of service delivery that the business customer requires of its service providers. The time commitment required for full Board participation may not be feasible for many small and emerging business leaders. Instead, short-term work groups and special task forces appointed by local WIBs and focused on specific workforce challenges facing small and emerging businesses provide an alternative vehicle for engaging small-business leaders, particularly around sectoral initiatives.

Successful workforce agencies and boards provide business services that are relevant, accessible, measurable, and that have an immediate, real bottom-line impact for small and emerging businesses.

All of the workforce systems we studied clearly articulated and effectively demonstrated an array of strategies and services yielding practical solutions to the labor market problems identified by small and emerging businesses. These strategies and services include basic One Stop Career Center services that help small and emerging businesses with employee recruitment, screening, and assessments. In addition, the ability to help small and emerging businesses design and access workforce education and training is a key in helping these businesses upgrade the skills of their employees. The convenient location of business services, flexible education and training services for their employees, the skills and business acumen of workforce staff, and tight staff coordination are important factors that drive success.

Winning the confidence of business means that workforce boards and agencies have to deliver services and achieve results that make a difference to small and emerging businesses and that go beyond the traditional boundaries of the workforce development system.

The examples captured herein provide exciting illustrations of ways in which state and local workforce leaders are using their authority and available funds to enhance the potential for businesses within the context of regional economies. For example, NOVA has helped establish a local satellite office of the U.S. Patent and Trademark Office for easy access by their business customers. Jacksonville, FL works closely with a business incubator to ensure that the local workforce system is positioned to provide employees to start-up companies poised for growth. In response to the expressed needs of SEBs, Long Beach, CA is funding background checks for job candidates.

Successful state and local workforce organizations interpret and apply the WIA statute and regulations with confidence, and use their authority to promote innovative program strategies and entrepreneurial behavior.

The illustrative case examples in this report demonstrate the extent to which many states and local communities use WIA as a source of funding and statutory or regulatory authority to enhance the well-being of individual job seekers, business customers, and their communities. But there is a wide gulf between these officials and those who are reluctant to venture beyond the traditional workforce system's roles and responsibilities. In many cases, self-imposed constraints limit the system's ability to deliver value-added information and services to business customers, including SEBs, and to build credibility with these customers. These workforce officials interpret the WIA law and regulations in the most conservative manner, stifling innovation and creativity. Successful states and communities use WIA funding to penetrate new markets, to communicate with their business customers, to work successfully beyond the established WIA performance metrics, and to seek opportunities for “pushing the envelope” in a positive and constructive manner.

Workforce systems that make sophisticated use of local labor market information gain the confidence of their business customers.

Most of the workforce systems we studied use LMI as a "door opener" and as a vehicle for building credibility and trust with small and emerging businesses. In fact, we found that LMI serves as an effective marketing strategy when targeted to small and emerging businesses. A wealth of LMI is available to public workforce systems from both public and private sources, at little or no cost. Most small and emerging businesses lack awareness or know how to make good use of such information to guide strategies and management decisions, including informing recruitment strategies and compensation policies. LMI is an essential tool to help communities identify business needs, differentiate by firm-size, firm-type (small businesses vis-à-vis emerging enterprises), and market services more effectively to business customers.

Workforce systems that are most responsive to business needs place high value on consulting business customers and engaging in systematic listening processes to identify needs and opportunities.

All of the sites we visited share a common commitment to seek out business input and consult with businesses owners and representatives routinely in developing state and local workforce strategies and service delivery approaches. NOVA's "Voice of the Customer" approach best illustrates how the direct and sustained connection with the business customer helps to build a demand-driven culture for public workforce development programs.

Longer-Term Strategies

Successful workforce boards and agencies take a strategic orientation in targeting the needs of small and emerging businesses.

Many WIBs provide the standard set of traditional workforce services for individuals, while beginning to explore services for businesses as a group. However, in the communities we visited, there is an increasing awareness of the importance of adopting and implementing special strategies and services for targeted sectors. For example, many states and communities are addressing the needs of small and emerging businesses in various ways, as illustrated in the case examples presented in this report. Some have adopted a formal small-business strategy that targets SEBs specifically for services. Others have made small and

emerging businesses a part of a broader market-segmentation strategy, targeting by firm-size, industry sectors or clusters, and/or geography. Yet, others have provided services to small and emerging businesses almost as an afterthought, as a consequence of addressing local employers' or particular industry sectors' needs. Overall, in these communities, the breadth and depth of the services being provided can be quite impressive, including organizing and convening clusters of employers with similar needs, developing customized services, and making linkages to resources beyond the workforce services arena.

State and local workforce boards that take a systematic approach to understanding the needs of local businesses are much more likely to gain the confidence of the business community.

Workforce entities need to follow a logical progression from research (studies), to strategy development, to putting in place effective management systems (implementation, incentives, evaluation) in order to define needs, allocate resources effectively, and realize returns on these investments. Bridgeport, CT provides a good example of a comprehensive and inclusive planning process that drives outreach, resource allocation, and strategy development to achieve agreed-upon goals. As a state, Vermont has instituted an effective strategic planning process that aligns state policy and resources with local needs, adhering to a long-term plan of action that transcends traditional agency boundaries.

By integrating services and aligning resources at the state or regional level, the public workforce system expands the options and range of solutions it can offer to small and emerging businesses, thus improving market penetration.

Small and emerging businesses value a single point of contact for multiple services. Therefore, it is important to forge a direct connection and sustained partnership between the workforce system and other community development services (e.g., economic development, housing, neighborhood services). As observed in Jacksonville, FL, linking to other community resources, planning, pooling of resources, and employer involvement provide a foundation for making responsive workforce investments.

Public workforce agencies must have qualified staff who understand the needs of the business customer, particularly the unique needs of small and emerging businesses, if the system is to be effective in providing services and expertise.

Workforce organizations that gain the confidence of the business customer employ staff who are qualified to address business issues and challenges. During our site visits, we were impressed with the level of expertise and professionalism of the staff that were assigned to the business community. In many instances, they reported prior business experience and clearly understood the business culture and values of the business community in which they were working.

VI. RECOMMENDATIONS FOR ACTION

This report provides illustrations of numerous states and localities that have demonstrated a capacity to meet the needs of small and emerging businesses within the framework of the Workforce Investment Act. The fact that they have succeeded suggests strongly that other states and local communities can do the same. The following recommendations for action are presented in the hope that the practices described herein will move from exemplary examples in a few communities to widespread practice across the nation.

Recommendations for Local WIBs and One Stop Career Center Operators

Locals — Recommendation #1: Demonstrate leadership.

Workforce system leaders at the local level have the opportunity to position local WIBs and One Stop Career Centers as a key partner fostering economic growth and responding effectively to the needs of business customers, including small and emerging businesses. Local leaders must articulate this new vision to employers and the general public, using a thorough understanding of the changing workforce and labor market needs to make the case. Leadership must create an environment that fosters entrepreneurial behavior that will help employers understand the potential value of collaboration and that will help build confidence among these business customers that the workforce system can deliver. Workforce leaders must understand the magnitude of the cultural transformation required within their organizations, then take steps to enable organizations and staffs to fulfill the new vision.

Locals — Recommendation #2: Build staff capacity.

Workforce staff must become more knowledgeable about the high-growth companies found in their local labor markets and understand the general operations, trends, and challenges facing those businesses. Workforce leaders should ensure that this information is collected periodically and shared with all staff (including job developers, case managers, counselors, business outreach specialists, planners, etc.). Staff must understand how to use this information in undertaking their day-to-day assignments. In addition, staff must develop further key skills sets around the primary WIA services of interest to small and emerging

businesses, including recruiting, screening, pre-employment assessments, job matching, and employment training. In particular, front-line staff in One Stop Career Centers should be trained to help employers and workers access non-WIA resources, such as tax credits as a tool for leveraging skills training for workers. Finally, beyond the primary WIA services, staff should become familiar with programs and resources available through other organizations in the region, and know how and when to access these resources to complement services available through WIA.

Locals — Recommendation #3: Follow a systematic process.

In order to make informed decisions on investments of time and resources, leaders from the local workforce systems must engage in a systematic and strategic planning process to analyze the issues and understand the needs within their communities and create a targeted strategy. The steps to be taken must include, at a minimum, an inclusive process for data collection and analysis, collaborative planning, strategy development, implementation, and assessment of outcomes and impacts. This should occur more frequently than the five-year plan specified by WIA, perhaps every other year. Local communities need to ensure that this process includes an explicit strategy for listening to and serving the needs of small and emerging businesses, and that the appropriate management systems and a network of partners are in place to support the implementation of the strategy. Moreover, the process should examine the feasibility of providing a broader range of business services that will appeal to SEBs, including articulating business needs, designing and implementing sectoral strategies, sponsoring business seminars on topics of interest, providing consultation services on compliance and related human resources issues, and other services as appropriate.

Locals — Recommendation #4: Segment the market in a meaningful way.

Many local workforce leaders have recognized the importance of segmenting the marketplace of employers into various categories. Segmentation can occur around numerous considerations, including industry sectors, geographic clusters of interdependent companies, company size, and stage of growth or development. Segmentation permits a more sophisticated understanding of needs and opportunities, and enhanced products and services targeted to meet differentiated needs. In conjunction with local economic development partners, workforce leaders should incorporate market segmentation into their processes for data

analysis, planning, and strategy development to ensure effective resource allocation and alignment. Aggregating demand across multiple employers in a particular market segment is one way to make services more accessible and affordable to small and emerging businesses, while realizing some economies of scale for service delivery.

Locals — Recommendation #5: Engage key small and emerging business owners.

Local workforce officials should ensure adequate representation of small and emerging businesses on local WIBs as a method to ensure input from this sector about local needs and opportunities. In many cases, local workforce leaders should engage industry and trade association officials representing small and emerging businesses because these officials can provide particularly valuable insights based on the experience of their broader membership base. Without denigrating the importance of individual small-business owners and entrepreneurs, local officials must seek a balance between the breadth represented by association officials and the benefit of individual business owners and entrepreneurs.

Locals — Recommendation #6: Increase outreach efforts to small and emerging businesses.

Local workforce officials must make a greater, sustained effort to communicate and to increase outreach efforts to small and emerging businesses if they are to represent a larger share of the workforce system's business customers. This will require more intensive investments in marketing and communications to the business customer, rethinking issues of branding and image, and packaging services to encourage use by SEBs.

Recommendations for State WIBs and Agencies

States — Recommendation #1: Exercise strong leadership.

Governors and workforce leaders at the state level must provide clear guidance, support effective technical assistance, and offer incentives for outstanding performance. With strong leadership and strategic thinking, state officials can help local officials overcome frustrations regarding limited WIA funds and lack of partners' financial support for the One Stop Career Centers. In many regions, establishing and operating the One Stop Career Center infrastructure nearly depletes the WIA allocation, leaving little funding available for understanding the needs of small and emerging businesses or investing in business services or

strategies. States must play a pivotal role to align resources within the state and to provide funding that supports the steps in the systematic process identified above. State officials are positioned uniquely to convene agencies, align resources from a variety of sources, and reconcile differences. In this manner, effective state leadership can go far in determining the level of sophistication and the extent to which local workforce officials can address the issues of importance to small and emerging businesses.

States — Recommendation #2: Make strategic investments.

As observed in New York State and Vermont, state officials can use strategic investments to address small and emerging business needs while engaging and energizing key partners. State officials should channel WIA and other discretionary program resources to encourage local and regional labor market research and planning activities. State officials should consider targeting these funds toward areas of need for small and emerging businesses, such as business process improvements, business planning, organizing sector and industry clusters, tying training plans to company objectives, and promoting career ladders, to name a few.

States — Recommendation #3: Build capacity.

States should use discretionary funds to support capacity-building and provide technical assistance to leaders and staff from local workforce areas. As noted above, local areas should learn about the high-growth companies found in their local labor markets and to understand the general operations, trends, and challenges facing those businesses. State-led capacity-building efforts can provide content knowledge, funding support, and information about effective processes and practices. In addition, state officials can use the "bully pulpit" to promote the importance of small and emerging businesses and to advocate for strategies that address their needs. In particular, state officials should ensure that front-line staff at One Stop Career Centers receive training on accessing alternative funding sources, such as tax credits as a tool for leveraging skills training for workers and employers.

States — Recommendation #4: Align resources.

States should follow the example of other states (such as Florida) that have required multiple, federal funding streams to flow through a single administrative entity, such as a WIB, in order to realize synergies and economies of scale, and to provide customers of the programs with a single point of contact. In Florida, as noted earlier in the report, funds from the Temporary Assistance for Needy Families

(TANF), Welfare to Work, Wagner-Peyser, and WIA programs are managed by the WIBs. The Jacksonville, FL case example illustrate the many benefits of this streamlined approach for program planning, strategy development, and packaging of services for business customers.

Recommendations for Federal Statutory and Administrative Actions

We commend DOL/ETA for playing a leadership role and taking action in positioning the United States for continued economic development and growth by fostering a "demand-driven" workforce system. The creation of BRG is particularly noteworthy. BRG should continue to make an important contribution, helping businesses better access the services of the state and local workforce system, increasing the capacity of the workforce system to serve the workforce needs of business, and institutionalizing this shift at the federal, state, and local levels.

The workforce system has undergone major changes since the enactment of WIA in 1998, including a new brand, a new customer, and new service offerings for this business customer. This has placed enormous stress, in an era of limited resources, on the capacity of the system to meet the new challenges. The current WIA reauthorization process underway offers an opportunity to reinforce important elements and provide additional guidance in several areas identified in this report, including strengthening the coordinating infrastructure and innovation that many states and local communities have developed under WIA to serve businesses and individuals with workforce needs. The following recommendations for statutory and administrative actions at the federal level would facilitate more widespread adoption of the promising work documented in this report.

Federal — Recommendation #1: Increase flexibility.

As reauthorized, WIA should allow state and local workforce entities sufficient flexibility to set priorities and allocate resources based on local economic circumstances. The ability to serve low-wage workers (set self-sufficiency goals), the use of state and local funds for incumbent worker training, and easing required employer contributions for customized training are three areas that directly and dramatically impact the ability of state and local WIBs to address SEB needs. This

flexibility is the source of much of the value of the workforce system, as perceived by economic development officials, and retrenchment in these areas seriously would undermine nascent efforts to align workforce and economic development.

Federal — Recommendation #2: Provide guidance on business services.

While federal policymakers in recent years have encouraged the workforce system to serve business customers, WIA, as enacted in 1998, is relatively silent on the type of services that could be provided in a typical workforce area. This has led to some confusion across the system, and uncertainty about how to proceed, particularly since businesses represent a new customer for many local areas. As reauthorized, WIA should provide guidance regarding the types of business services allowed or anticipated in a typical workforce area, perhaps recognizing the importance of market segmentation and tailoring the business services to meet the needs of specific segments of the business customer marketplace, including small and emerging businesses. Business services that will appeal to SEBs, and that merit explicit authorizations, would include articulating business needs, designing and implementing sectoral strategies, sponsoring business seminars on topics of interest, providing consultation services on compliance and related human resources issues, and other services as appropriate.

Federal — Recommendation #3: Encourage support for intermediaries.

The role of intermediaries increasingly is recognized as critical to defining and meeting business needs, and this is especially true regarding SEBs. Operators of other government programs (e.g., Small Business Development Centers and Manufacturing Extension Partnership centers) and non-governmental organizations (e.g., trade and industry associations and business-focused community and economic development organizations) can play a critical role in packaging a comprehensive set of services to businesses. WIA should incorporate language, and possibly incentives, strongly encouraging WIBs to involve intermediaries and partners in defining and implementing a business services strategy to meet small and emerging business needs.

Federal — Recommendation #4: Retain private-sector leadership.

Workforce areas that have implemented strategies to meet SEB needs are nearly unanimous in citing private-sector WIB (state and local) leadership as a factor in their success. Having a strong commitment from owners of local small and

emerging businesses is essential for WIBs to continue to build credibility with business customers and economic development partners. We strongly encourage that WIA, as reauthorized, retain the strong role for private-sector leadership on each WIB.

There also are some administrative actions that DOL/ETA can take at the federal level.

Federal — Recommendation #5: Build capacity.

First and foremost, DOL/ETA should make a concerted effort to identify the needs of the workforce system for professional development and capacity-building, and work closely with states to invest in critical areas. Some areas for investing in One Stop Career Center staff might include: connecting information about business needs (including small and emerging businesses) to case management and related work with job seekers; understanding changes in the workplace and their implications for knowledge and skills on the job; and, using LMI to inform strategies for working with job seekers and business customers. At the strategic level, it is critical to help WIB leaders and key staff identify and replicate processes for developing and implementing effective strategies and practices from other workforce areas.

Federal — Recommendation #6: Support sectoral strategies.

DOL/ETA should continue to make investments in targeted, sectoral approaches (e.g., The High-Growth Job Training Initiative) aimed at partnering and connecting with the business community and public education systems. These investments should provide models that illustrate the wide range of services that the workforce system can deliver, either directly or through partners, to meet business needs, including the small and emerging businesses that constitute many rapidly-growing sectors of the economy.

Federal — Recommendation #7: Increase brand awareness.

DOL/ETA must continue to make progress in overcoming the rather fundamental problem of the relatively low use and level of awareness of the workforce system and its resources on the part of small and emerging businesses. This situation is exacerbated by the reluctance of some in the workforce system to market services to businesses. As recent studies by the National Business Engagement Consortium

and the U.S. Chamber of Commerce report, employer awareness of the workforce system is increasing. Nevertheless, the system largely is underused by small and emerging businesses and more likely to be used by larger firms, suggesting that marketing, especially to SEBs, should be a priority.

Federal — Recommendation #8: Monitor system progress in meeting small and emerging business needs.

DOL/ETA should provide a vehicle to continue examining how the workforce system is meeting the needs of SEBs. This could occur through establishment of a formal Commission, funding additional research, or convening a series of meetings to address these issues.

Recommendations for Future Research and Demonstration Projects on Promising Practices

In conducting this project, we reviewed a considerable volume of research related to small and emerging businesses and the public workforce system. Studies conducted by The Kauffman Foundation and The Ohio State University show that gaps and omissions exist in both scholarly, analytical research as well as in identification of best practices, especially those focused on small and emerging businesses. The literature we reviewed (Appendix A) reaffirms that there are significant gaps in the existing body of knowledge. The significance of small and emerging businesses — from the standpoint of number of jobs, sources of future job growth, and access to meaningful work experience for youth and other groups disadvantaged in the labor market — demands that further research and demonstration projects be conducted.

This is especially warranted since WIA introduced significant policy innovations and provided added flexibility in how the public workforce funding may be invested. WIA gives states and local communities greater opportunities to direct federal investments to workforce development through business-led workforce boards. The introduction of One Stop Career Centers establishes a more integrated services delivery system to better meet the needs of employers and job seekers. The more recent policy emphasis challenging the public workforce system to focus more on the demand side of the labor market brings with it some new challenges as well as the need to formulate new strategies requiring enhanced capacity within the system.

To assist in the process of better aligning the needs of small and emerging businesses to the resources of the public workforce system, we recommend that DOL/ETA consider the following research and demonstration projects:

Research and Demonstration — Recommendation #1: Convene meetings of small and emerging business owners, associations, and advocacy groups on a regional basis.

We remain convinced that the key to developing a successful strategy for reaching out to small and emerging businesses begins with consulting businesses and the organizations that represent them. BRG should conduct a series of listening sessions and focus groups around the country to hear first-hand from small-business owners and entrepreneurs about how the public workforce system could help address their expectations and needs as well as the barriers and challenges they face in accessing the public workforce system, and to learn first-hand about how best to deliver such services.

Research and Demonstration — Recommendation #2: Develop a primer or resource guide.

A primer or resource guide — like that which DOL/ETA has funded and developed in industry-specific areas, including health care and manufacturing — needs to be developed detailing how to connect small and emerging businesses to the public workforce system. A primer or resource guide could serve as a very effective tool to help the public workforce system master the knowledge and develop the skills to launch new and innovative approaches and to replicate or adopt promising practices.

Research and Demonstration — Recommendation #3: Illustrate effective strategies and methods of collaboration through a limited demonstration of matching up small and emerging business networks and capable public workforce programs.

Our work clearly shows that there are some very capable public workforce programs making effective efforts to engage with and respond to the needs of small and emerging businesses. We strongly encourage DOL/ETA to organize multi-site demonstration projects, where high-performing public workforce agencies are linked to small and emerging businesses through cooperative agreements. Such paired relationships would demonstrate the intricacies of partnership formation; how expectations and needs are identified; how strategies and program responses

are designed by public workforce agencies; and, how the needs and requirements of these small and emerging businesses are met by these public workforce agencies in an effective manner.

Research and Demonstration — Recommendation #4: Conduct more in-depth research and analysis, and launch some demonstration projects on how best to overcome low levels of awareness and the limited use of the workforce system by small and emerging businesses.

While this report references a number of these types of surveys, more probing and in-depth analysis are needed on how to communicate effectively to small and emerging businesses regarding the availability of public workforce system resources. Also, more intensive market research or a demonstration project is needed on how best to package workforce programs so that they have greater appeal for use by small and emerging businesses, especially those entrepreneurs owning high-growth companies. To this end, new communications and outreach strategies and methods should be developed to assist the public workforce system in designing, organizing, packaging, and delivering services that meet their expectations and needs. This, in turn, would result in stronger employer-workforce system relationships, a detailed process for reaching out to entrepreneurs, insights into the types of services that provide value for entrepreneurs and how to package and market those services effectively, and increased use of the workforce system by entrepreneurs.

Research and Demonstration — Recommendation #5: Develop a better understanding of several important questions of interest to small and emerging businesses regarding the functioning of local labor markets.

There is a need for a number of long-term, national research efforts, including: better data on the availability of the labor supply both in terms of quality and quantity; improved turnover information; more accurate data and information describing trends in employee compensation (pay and benefits), including comparative analysis by industry-type, firm-size, and occupation; and, the relative efficacy of various recruitment, screening, and assessment methods, thus allowing small and emerging businesses to make better decisions about employing effective

"people practices." Furthermore, to improve the process of employee selection, proxies or predictors of performance in the workplace are needed. Also, there is a need to design a demonstration project to provide guidance on how LMI can be used more broadly to develop a demand-driven, workforce information strategy on behalf of small and emerging businesses. By working with intermediaries that have the confidence of the small-business community, DOL/ETA could launch a number of demonstration projects designed to link the needs of small and emerging businesses with the resources of the public workforce system.

Research and Demonstration — Recommendation #6: Encourage more state and local research and demonstration projects.

Our field work clearly demonstrates a variety of ways that states and local workforce boards respond effectively and innovatively to the needs of small and emerging businesses. As we observed, there is considerable variation from state-to-state and community-to-community. Accordingly, more research and demonstration activity is needed at the state and local level to identify those characteristics that help state and local workforce development systems respond successfully to the needs of small and emerging businesses.

APPENDIX A

References

As noted in the text of the report, the RISEbusiness project team engaged in a review of existing literature in order to consider the most recent research findings and to understand current trends. The literature reviewed included both academic journals and non-technical publications prepared by advocacy and membership organizations interested in the topic. The list below includes the key publications cited in the report, and represents a broad cross section of the current thinking in this field:

Acs, Zoltan, Tarpley Fred A. and Phillips, Bruce D. "The New American Evolution: The Role and Impact of Small Firms," Office of Economic Research, U.S. Small Business Administration, June 1998.

Berger Mark C., Barron, John and Black, Don A. *Value of Worker Training Programs to Small Business.* Carolyn Looff and Associates, Lexington, KY, September 2001.

Berger Mark C., Black Don A., Scott, Frank A. and Allen, Steven N. *Description of Low Wage Workers by Firm Size in the United States.* Prepared by Carolyn Looff and Associates, Lexington, KY, for the U.S. Small Business Administration, Office of Advocacy, December 1999.

Black, Dan A., Berger, Mark C. and Barron, John. *Job Training Approaches and Costs in Small and Large Firms.* University of Kentucky, Lexington, KY, June 1993.

Center for Workforce Preparation, "Keeping Competitive: A Report from a Survey of 1,800 Employers," U.S. Chamber of Commerce, September 2001.

Center for Workforce Preparation, "A Report from a Survey of 1,500 Employers," U.S. Chamber of Commerce, January 2002.

Center for Workforce Preparation, U.S. Chamber of Commerce. *Rising to the Challenge, Business Voices on the Public Workforce Development System*, Spring 2003.

Appendix A

Dennis, William J., NFIB Education Foundation, "Small Business Problems & Priorities," May 2000.

Heneman, Robert L. and Tansky, Judith W. "Human Resources Strategies of High Growth Entrepreneurial Firms," Fisher College of Business, The Ohio State University, August 13, 2000.

Heneman, Robert L. and Tansky, Judith W., Fisher College of Business, The Ohio State University, June 24, 2001.

Heneman, Robert L., Tansky, Judith W., and Camp, Michael S. "Human Resource Management Practices in Small and Medium Size Enterprises: Unanswered Questions and Future Research Perspectives," The Ohio State University and The Kauffman Foundation.

Holzer, Harry and Wissoker, Douglas A. *How Can We Encourage Job Retention and Advancement for Welfare Recipients.* Urban Institute, Washington, D.C., October 2001.

The Manufacturing Institute, Center for Workforce Success and Andersen Consulting. *The Skills Gap: Manufacturers Face Persistent Skills Shortages in an Uncertain Economy*. National Association of Manufacturers.

National Academy of Public Administration. *The National Institute of Standards and Technology Manufacturing Extension Partnership Program: Report 1, Re-Examining the Core Premise of the MEP Program*. Academy Project Number 2013-001, September 2003.

National Commission on Entrepreneurship, "Entrepreneurship, A Candidate's Guide: Creating Good Jobs in Your Community," August 2002.

U.S. Bureau of the Census, *Statistics of U.S. Businesses (2002).*

U.S. Small Business Administration, Office of Advocacy, *Small Business by the Numbers*, The Small Business Advocate, May 2003.

U.S. Small Business Administration, Office of Advocacy, 2002 *Small Business Profile: United States*, March 2002.

Literature Review

As noted in the Methodology section of our report, we began our research by conducting a comprehensive review of available literature and data sources to help frame more specific questions and to identify critical issues for our research efforts. In this process, we identified numerous data sources, research, and planning tools that are being used to support strategic workforce development initiatives. The following Literature Review contains information we gathered regarding employer demand for workforce services and utilization of One Stop Career Centers.

Source: "Rising to the Challenge: Business Voices on the Public Workforce Development System," U.S. Chamber of Commerce, Spring 2003.

Work Performed: The Center for Workforce Preparation at the U.S. Chamber of Commerce surveyed employers regarding their awareness, use, and perception of the publicly-funded workforce investment system through 77 state and local chambers of commerce. The state and local chambers distributed the survey to their members using various methods, and received responses from over 3,700 employers.

The survey results indicate that, overall, 41% of employers were aware of One Stop Career Centers. However, only 19% overall reported that they had used a One Stop Career Center. While 75% of the respondents that had used them felt that the One Stop Career Centers' staff knowledge was "excellent" or "good," there were some troubling responses regarding other aspects of services received in the One Stop Career Centers. Only slightly more than half (55%) felt that the One Stop Career Center "response met the need," and only 51% felt that there was "financial or economic value" to their organization using the One Stop Career Center.

Somewhat paradoxically, only 7% of the respondents who had not used a One Stop Career Center in the last year reported that this was because the "one-stop doesn't meet our needs." Only 2% reported that it was due to "past dissatisfaction with services," with another 2% reporting that it was due to "past dissatisfaction with understanding of specific business / workplace requirements."

The survey provides responses by firm-size and finds that the smallest employers are least aware, while the largest employers are most aware, of the One Stop Career Centers. Similarly, the survey shows that, the larger the employer, the more likely it has used a One Stop Career Center in the last year. On the basis of these findings, the U.S. Chamber recommends expanded marketing and awareness efforts to employers, especially small employers.

Survey respondents who had not used a One Stop Career Center in the last year indicated that they would be most interested in services that most, if not all, One Stop Career Centers already offer. These include recruitment (50%), initial screening of potential employees (44%), assessing knowledge, skills, and abilities related to current openings (26%), and training in employment skills (26%).

Comments: This survey contains valuable information for communities seeking to engage employers in workforce development. The findings are valuable because they provide information regarding the awareness of and use of the workforce system according to different types of employers. The analysis segments the marketplace of prospective employer customers by firm-size (number of employees) and by industry. (It is most helpful that detailed survey data by employer size and industry are available on the Center for Workforce Preparation/U.S. Chamber website for numerous survey questions.) Although the results are not surprising regarding differing attitudes and practices by firm-size, they provide local workforce officials with some important lessons learned about marketing and packaging of services.

The report also identifies some areas of concern for the workforce system. For instance, the data regarding the use of the One Stop Career Centers, and satisfaction with services received, indicate areas that need considerable attention. For example, if potential customers increasingly are aware of available services (compared to the 2001 survey results below), but still are not using the One Stop Career Centers, one reason might be the relatively mixed experience that actual customers report. Although employers overall indicated interest in the types of services typically available through a One Stop Career Center, further segmentation may be necessary to understand which types of employers are interested in which

services under what circumstances. This suggests a closer examination of the needs of important segments of employers within a community. Indeed, the U.S. Chamber states that "(c)learly identifying the needs of employers is an essential skill for the staff of one-stops."

Finally, the U.S. Chamber states that "workforce development is about more than hiring and training the right workers." While it is not clear what survey data or rationale lead to this important and powerful conclusion, it represents an important departure from the all-too-common practice in the workforce system of offering a standard set of business services to any and all employers who walk in the door. Indeed, it suggests the need for more sophisticated and strategic approaches based on sound analyses of employer needs and regional labor market conditions. As such, it signals a welcome new direction for the system.

Source: "Keeping Competitive: A Report from a Survey of 1,800 Employers," Center for Workforce Preparation, U.S. Chamber of Commerce, September 2001.

Work Performed: In April and May 2001, a third-party organization hired by the U.S. Chamber of Commerce surveyed 1,836 employers regarding their attitudes toward hiring, training, and retaining qualified workers. These employers were concentrated in six communities served by six local chambers of commerce participating in a Workforce Learning Academy project with the U.S. Chamber's Center for Workforce Preparation. Companies with ten or fewer employees constituted more than half (52%) of the employers responding to the survey.

Although the survey focused on issues well beyond perceptions of the public workforce system, it asked questions about business utilization of and support for the workforce system. When asked about sources used to recruit employees, 12% said "Government Services, other than One-Stops," and 5% responded "One-Stop Career Centers." In addition, the U.S. Chamber notes that "approximately 95% of employers in these six communities have never used One-Stop Centers for recruiting, training, or retention services or assistance, and of those that have, few report high levels of satisfaction with these services." These findings are cited occasionally as evidence of the system's inability to work effectively or extensively with employers.

Comments: The U.S. Chamber concludes that "…very few employers in the six regions have ever used One-Stop centers, the heart of the revamped workforce development system." This is based on the finding that "…95 percent of [respondents] had never utilized the services of One-Stop centers for recruitment, training, or retention of employees." However, there is no reliable benchmark to help ascertain whether 5% utilization on this proxy for market share is good or not. Consider that, under the Workforce Investment Act (WIA), the workforce system has a new major customer (employers in addition to job seekers), that the job seeker customer was broadened considerably beyond what it was under the Job Training Partnership Act or JTPA (universal access), it has a new brand (WIA vs. JTPA), and it had been in business with this new approach only for two years at the time of the survey. Consider further that, unlike a major re-branding effort in the private sector, there was no marketing budget assigned to communicate these changes to potential customers or stakeholders. Given that, one could make a case that a 5% market share in two years is outstanding.

There are several other factors to consider. First, by design, no attempt was made to draw from a sample that could be used to generalize beyond the respondents (the sample is drawn from only communities where a Workforce Learning Academy project is underway). Second, the survey was conducted at a time when the national economic climate was considerably different than today. Third, most of the communities selected are located in small towns and cities.

Finally, because the survey findings are not presented by firm-size (number of employees) or industry-type, it cannot be determined readily whether there are any trends or patterns regarding employer perceptions or services within discrete segments of the employer market.

Source: "The Skills Gap: Manufacturers Face Persistent Skills Shortages in an Uncertain Economy." Produced by the National Association of Manufacturers, The Manufacturing Institute's Center for Workforce Success, and Arthur Andersen.

Work Performed: The National Association of Manufacturers (NAM) commissioned a survey of 6,000 NAM members in May 2001. Over 600 manufacturers responded, representing more than 20 different manufacturing industries from across the

nation. Large companies (with more than 500 employees) constituted the vast majority (87%) of respondents. The NAM study did not report findings segmented by company-size (number of employees) or industry-type.

Although the survey focused on issues well beyond perceptions of the public workforce system, it asked questions about manufacturers' use of the workforce system. To find suitable employees, the survey found that "…60 percent of participating manufacturers use public agencies….(L)arger companies are somewhat more likely to use these resources or strategies."

The survey found that "relatively few manufacturers know about the potential role of the public workforce system, funded by the federal government and implemented by states and local communities. While almost one quarter of respondents had successfully used the public training system, another quarter of the companies participating in the survey had never even heard of it. Sixteen percent had tried to work with the public training system but found it non-responsive. Only seven percent of respondent companies said one of their employees serves on a workforce board. When asked where the NAM should concentrate their efforts, 25% said improving the public workforce system."

The respondents appear skeptical about a role for the federal government in this agenda. When asked about ways that the federal government should assist manufacturers in support of their efforts to attract and retain a highly-effective workforce, 53.6% wanted "tax relief for companies that offer training to employees," 33.9% wanted "direct funding to companies for employee training," and 32.9% "prefer no government involvement."

NAM concluded that "(e)mployers are disappointed that WIA has been slow to fulfill its potential as a broad human resource development system responsive to employer needs. The forthcoming reauthorization…must address its lags in performance and strike a better balance between being a "second chance" education and training system for those who are ill-prepared and being a system that also promotes the skills needed by employers…."

Comments: The NAM survey provides fairly positive findings about manufacturers' use of the public workforce system (i.e., "almost one quarter of respondents had successfully used the public training system"). Given the factors cited above regarding re-branding and the short period of experience with the new approach, these findings are relatively encouraging.

There is a significant difference in the findings reported in the 2001 NAM and 2001 U.S. Chamber surveys (NAM's respondents reported considerably higher utilization of the public workforce system than the U.S. Chamber's respondents). One possible explanation may be attributable to the differences in the wording of individual questions rather than to differences in existing practices.

Notwithstanding, as in the case of the U.S. Chamber survey, no reliable baseline exists for evaluating whether "almost one quarter" is a satisfactory level of usage of the workforce system by employers. Accordingly, further market analysis is needed to determine appropriate comparisons (i.e., specific competitor companies, market share for different types of services, etc.) for the workforce system's employer services.

Moreover, since the NAM survey (like the U.S. Chamber survey) was not designed to break out findings by firm-size or industry-type, it cannot be determined readily whether there are any trends or patterns regarding employer perceptions or services within discrete segments of the employer market.

Source: Benchmarking One Stop Centers, Final Report, April 2002. Prepared by the Corporation for a Skilled Workforce in cooperation with Leaders in Excellence.

Work Performed: Four local workforce investment boards (WIBs) in Illinois undertook this work with funding from the Illinois Department of Employment Security. The sponsoring WIBs defined several categories of potential "critical success factors" for One Stop Career Center excellence. A research team examined these factors in an effort to assess which factors appeared to have the greatest impact on the One Stop Career Centers' successes. Overall, the field study involved 20 One Stop Career Centers and 12 WIBs across the country.

The report provides policymakers and practitioners with information about critical success factors in the implementation and operation of One Stop Career Centers. Of particular interest is an entire section of the report devoted to employer services, including various business service approaches and operations, including design considerations, charging fees for services, as well as employing account representatives and contact management systems. The report also describes metrics for defining success, and includes a list of services available to employers by individual participating sites.

Comments: While this report does not provide information regarding the extent of demand for employer services, it includes some of the most detailed information available regarding the range of services provided by the workforce system to employers. Based on their research, the authors encourage readers to use market segmentation to choose businesses to be served rather than choosing a strategy of serving the employers that are easiest to serve. Overall, the findings are extremely important because: 1) the information can influence practical, strategic, and operational decisions in operating a One Stop Career Center; and, 2) any subsequent research on the demand side of One Stop Career Centers should build on the work presented in this report.

Source: Fifty Stories, One System: Profiles of Local Workforce Investment in California. California Workforce Association, Spring 2002.

Work Performed: The California Workforce Association published this guide profiling each of the state's workforce investment boards (WIBs) in an effort to demonstrate the important role that the Workforce Investment Act (WIA) plays in the state. For each WIB, the profile includes a description of the "Linkages with the Private Sector," and "Initiatives." Within these sections reside rich data about the nature and extent of services provided to employers across the state.

Comments: While any assessment of aggregate demand or trends within particular industries is difficult since the profiles are organized by geographic area, there is excellent information here about the range of employer services to be mined. In addition, this information suggests that it will be important to search for similar materials in other states.

Source: National Business Engagement Consortium, a $2 million, 7-state, DoL-funded effort, in progress.

Work Performed: The National Business Engagement Consortium, a consortium of states led by the State of Washington, is an effort to find effective ways to market One Stop Career Center services to employers. The underlying purpose is to develop employer stakeholders in the workforce system. The project partners are undertaking substantial qualitative and quantitative research on the system's relationship with employers, through focus groups involving 104 employers, seeking to:

- Understand the biggest challenges employers face in finding, hiring, developing, and retaining employees;
- Gain insights into what recruiting, screening, assessment, and training resources employers use;
- Better understand how employers think about government One Stop Career Center services, and whether such services meet their needs; and,
- Help the Consortium identify and refine promising marketing concepts.

The focus groups involved a wide range of industry sectors, and nearly half of the companies represented had 10-75 employees. The discussions focused on four specific areas: use of the Internet in recruiting; interest in labor market information; interest in the One Stop Career Center concept, especially in its website form; and, interest in on-line job listings and pre-screening of applicants by the state.

Some of the most relevant key findings include the following:

- Labor market information (LMI) is not very familiar to most human resources managers. LMI is seen as a strategic planning tool that has little relevance to their day-to-day work.
- Awareness of the state's One Stop Career Center brand varies, but where participants do not recognize the current entity's name, they at least claim familiarity with the previous entity's name.
- Interest in state services for employers focus on four areas: screening and verification; basic skills training; rules and regulations; and, market development (i.e., promoting "my" region or demand occupations).

Comments: While this research does not segment by firm-size or industry-type nor does it examine how the system can support employers beyond the services provided by One Stop Career Centers or how to use the findings to shape strategies and service delivery plans, this is the first work that systematically explores employers' interest in particular types of services related to hiring and retaining employees, and focuses on how to market to and engage employers in the workforce system. As such, it can provide valuable insights into the strategies and services that a One Stop Career Center might implement in order to meet the needs of local employers.

Source: Information Technology Association of America (ITAA), DoL-funded study of ITAA members' interaction and perceptions of the public workforce system, October 2002.

Work Performed: Over the last year, ITAA convened 6-7 regional meetings of its members to discuss attitudes and collaboration between information technology (IT) employers and the workforce system. A clear message from these meetings is that IT employers generally are not aware of workforce investment boards (WIBs) — historically, they have not used the system to hire entry-level workers — nor do they understand WIBs' roles or potential contributions to solving their business problems.

As part of a DoL-funded project, ITAA is writing case studies of several WIBs that have worked effectively with IT employers. In addition, ITAA periodically conducts educational sessions for their members that address germane workforce issues. For example, they convened a webcast on September 19, 2002, with Assistant Secretary DeRocco, to discuss how to connect IT employers with the public workforce system.

Comments: The lessons learned from this project should provide insights into the ways in which one industry interacts with the workforce system. Moreover, other industries might find these lessons relevant to their own interactions with the workforce system.

Source: Job Training Approaches and Costs in Small and Large Firms, by Dan A. Black, Mark C. Berger, and John Barron, University of Kentucky-Lexington. Completed under Contract No. SBA-6640-OA-91.

Work Performed: In August of 1992, the Survey Research Center at the University of Kentucky collected 1,288 responses to a telephone survey. The sample of businesses used to conduct the survey was drawn from the Comprehensive Business Database of Survey Sampling, Inc., of Fairfield, CT.

The focus of the survey was the training experience of workers hired in the previous three months. Four firm-size categories were used: 1-24 employees, 25-99 employees, 100-499 employees, and 500 or more employees. Training activities were divided into five categories: (1) on-site formal training, (2) off-site formal training, (3) informal management training, (4) informal co-worker training, and (5) watching others perform. "Learning by doing" was not examined because of methodological problems.

Current and future employer needs for different types of worker skills were surveyed, as well as the length of time needed for new workers to become fully trained and qualified. The study also investigated whether firms provided remedial training or used government training programs.

Comments: It should be noted that, while this research is dated, it was undertaken at a time when we had similar economic conditions to today. Secondly, it does not attempt to assess services delivered by the public workforce system, but instead focuses on training in general. Nevertheless, by segmenting as it does by firm-size, it provides useful information in relation to strategies and services delivered by the workforce system. The major findings are highlighted below.

Small firms appear to provide general workplace training. Large firms specialize in providing firm-specific training. Small firms provide fewer total hours of training to new hires in the first three months of employment than do large firms. Small firms, however, provide more training to new employees with less than 12 years of schooling, and a comparable amount of training to new hires with no previous work experience. Compared with firms with 500 or more employees, firms with fewer than 25 employees provide more than twice as many hours of informal management training to employees with less than a high-school diploma.

These results are consistent with earlier findings that small businesses hire less-educated and less-experienced workers and provide them with general skills and training. The amount of training provided to less-educated and less-experienced workers does not increase with firm-size because larger firms appear to prefer hiring and providing firm-specific training to more-experienced and better-educated workers.

Although small firms provide less training, on average, to new hires, the payoffs that workers receive are greater in small firms. Wages grow faster in the first two years of employment in small firms than in large firms. Wages per hour of training in the first two years of employment grow 2.5 times faster in firms with fewer than 100 employees than in firms with 100 or more employees.

Formal training is more costly than informal training across all firm-size categories. About 90% of all new hires receive informal training from managers and supervisors, regardless of firm-size. Formal training, however, varies with firm-size: less than 19% of firms with fewer than 25 employees have formal training programs, compared with 44% of firms with 500 or more employees.

Bigger firms provide more training for men, women, whites, blacks and other minority groups, union and nonunion workers, part-time and full-time workers, and all occupational categories. Total hours of training increase with firm-size for all industries, single and multi-establishment firms, and all forms of legal organization, regardless of the age of the business, number of new hires, and the intensity of upward mobility within the firm.

The importance of basic skills, such as showing up on time, the ability to work with others, reading, oral communication, following directions, and general problem-solving abilities, are applicable across all firm-sizes. Math and writing skills are applicable to approximately 90% of all businesses.

The largest differences by firm-size in the applicability of skills were for basic computer skills. More businesses reported that basic computer skills are likely to grow in the next five years than any of the other skills listed in the survey. However, while only 53% of firms with fewer than 25 employees report that

computer skills were applicable to their business, 74% of firms with 500 or more employees report that basic computer skills were applicable. Small firms also see a lower level of need for computer skills in the near future than do large firms.

Small firms are less likely to provide remedial training or to hire workers through government-financed training programs than are large firms. Only 16% of firms with fewer than 25 employees have hired workers through such programs, compared with 44% of firms with 500 or more workers.

Source: United States General Accounting Office, "Small Business: Workforce Development Consortia Provide Needed Services," October 2001, GAO-02-80.

Work Performed: Congress asked GAO to study the formation of consortia as one method of addressing the needs of small businesses. In many communities, business and trade organizations, community colleges, and other public and private organizations have partnered to create these networks to solve common problems. GAO examined the manner in which small businesses are interacting with these consortia to address their need for skilled workers. GAO identified four communities where such consortia are active, and explored consortia development, operations, and activities with local consortia and small-business officials.

GAO found four important principles that the sites shared. First, the consortia focused primarily on the businesses' workforce needs and were organized around key industry sectors in that community. Second, consortia partners provided leadership and developed ways to sustain ongoing working relationships among partners. Third, consortia organizations made workforce development activities accessible to both employers and workers. Finally, consortia organizations used incentives to make participation in activities attractive to small businesses.

Comments: This study provides valuable documentation of the importance of intermediaries in helping small and emerging businesses (SEBs) address their workforce needs. SEBs face myriad obstacles in defining their needs, accessing resources, and negotiating publicly-supported services as part of a solution. Without an intermediary to help the employer navigate this complicated terrain, it is likely that most SEB owners will pursue solutions in an inefficient fashion or simply will continue to operate as they have in the past.

Another important lesson of this study relates to how the complex mix of partners and service providers in each of the four community sites differs. Studies of other communities most certainly would reveal how other public and private organizations, such as community-based organizations, industry associations, manufacturing extension partnership centers, professional employer organizations, occupational associations (e.g., SHRM), and others, play similar intermediary roles.

The experiences cited here suggest that communities seeking to design and implement strategies for SEBs should recognize that this diversity of organizations can and must exist, since their existence is based on local differences in needs, industries, organizations that already deliver various services, political environment, and numerous other local factors. Furthermore, these experiences suggest that each community (i.e., local officials and key organizations) should make a collaborative effort to design and implement strategies based on their circumstances in order to minimize duplication of services and maximize impact to potential business clients.

The study defines employers' current needs as "…identifying and hiring new employees as well as training existing employees." Experience suggests that consortia also can provide valuable advice and "navigation assistance" on issues related to regulatory compliance, managing change in organizations, accessing public resources for training workers on the job, qualifying providers of training on a wide range of topics, performance management, benefit packages, and others. By developing alliances with non-traditional organizations that can address some of these related needs as well as training — especially in the context of business modernization or changing operations around new technologies, product lines, or processes — the public workforce system can provide beneficial services to its business customers.

Source: United States General Accounting Office, "Workforce Training: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers," GAO Report 03-353, February 2003.

Work Performed: Congress asked GAO to study whether states and local entities are using federal funds from the Workforce Investment Act (WIA) and from Temporary Assistance of Needy Families (TANF) to train employed workers, including low-

wage workers. GAO sought to determine the extent to which states and local entities provide assistance to train employed workers and the type of training provided. Based on the congressional request, there was no expectation that the study would focus on the needs of small and emerging businesses (SEBs) in particular.

GAO found that two-thirds of local workforce boards do provide assistance to train employed workers. In some cases, they fund the training directly and, in other cases, the workforce boards partner with employers to developing training proposals. At the state level, all 16 states that GAO contacted also funded training for employed workers. In their training initiatives for employed workers, state and local workforce boards focused on specific business needs and certain workplace skills. States and local workforce boards gave priority to economic sectors and occupations in demand, considered economic factors when awarding grants, and funded training that was tailored or customized to specific employers. Although state and local officials funded many types of training for employed workers, they most frequently emphasized "occupational training" to upgrade skills and "basic skills training."

In targeting training specifically for low-wage workers, state and local officials developed ways to gain support from employers that were reluctant to participate in low-wage worker training. These state and local officials used methods such as partnering with employers to develop career paths that help retain employees and streamlining grant application paperwork.

Comments: While no attempt was made to assess the extent to which the services provided focused on the particular needs of SEBs, this study provides good information on how publicly-funded training fills gaps in workers' skills. With the implementation of WIA, the focus has shifted from helping the unemployed find jobs to a broader approach that allows states and local entities to use federal funds for training employed workers. The workforce boards that were surveyed appear to be expanding their missions, accordingly — a greater percentage of the workforce boards reported funding employed worker training in program year 2001 than in program year 2000. State and local workforce boards reported that WIA and other federal funds were the most common sources of funding used.

Research Abstracts

In addition, the following compilation of research abstracts contains our review of existing literature and past research studies to determine what already has been learned about the labor market experiences of small and emerging businesses, especially with regard to identifying their expectations, needs, barriers, and challenges vis-à-vis the public workforce system.

Value of Worker Training Programs to Small Business (2002).

Mark C. Berger, John Baron, and Dan A. Black, Carolyn Looff and Associates, Lexington, Kentucky.

This 1992 report on the value of government-sponsored worker training programs to small businesses contains interesting findings, but is becoming dated. The report answers the following questions: Are there still firm-size differences when it comes to awareness and utilization of government training programs? Has the overall utilization of government training programs increased or decreased? What are the major factors behind a firm's decision to utilize or not to utilize a government training program? Are firms that utilize government training programs satisfied with these programs? What changes to government training programs would make them more useful to small businesses?

Does A Rising Tide of Small Business Jobs Lift all Boats (2001)?

John M. Fitzgerald and David C. Ribar, Burke, VA.

Employment growth was strong between 1992 and 1996, when the U.S. economy added 9.4 million jobs. Yet, questions persist about how different skill-level segments of the workforce benefit from a buoyant economy. This study uses household and business data series to assess how changes in the size-distribution of establishments and job flows affect employment opportunities and earnings levels of workers in different age, education, and gender strata.

Measures of Job Flow Dynamics in the U.S. Economy (1999).

Zoltan J. Acs, Catherine Armington, and Alicia Robb, Center for Economic Studies.

This paper uses the new Longitudinal Establishment and Enterprise Microdata (LEEM) at the Center for Economic Studies at the Bureau of the Census to investigate gross and net job flows in the U.S. economy. LEEM is the first high-

quality, nationwide comprehensive database for both manufacturing and non-manufacturing that is suitable for measuring job flows. This study examines relationships between establishment size and establishment age, and investigates differences resulting from two alternative methods of classification of job flows by size and age of the establishment.

Labor Shortages, Needs and Related Issues in Small and Large Business: Part A, Labor Shortages in Small Firms (1999).

Joel Popkin and Company, 1155 15th St, NW, Suite 614, Washington, D.C.

This paper analyses the issue of labor shortages from the perspective of small firms with fewer than 100 employees. These firms represent 98% of all firms in the economy. Over 60% of firms looking for workers encountered some form of difficulty in hiring. Job-specific technical and computer skills remain in demand and both are cited as leading causes of hiring difficulties. Other causes cited include substance-abuse problems, history of poor work habits, and limited English-speaking ability. Firms indicated that they would offer increased wages and would extend training periods as primary strategies for overcoming hiring difficulties.

Labor Shortages, Needs and Related Issues in Small and Large Businesses: Part B, Contingent Workers in Small and Large Firms (1999).

Joel Popkin and Company, 1155 15th St., NW, Suite 614, Washington, D.C.

This study present new evidence on the employment of contingent workers in small and large firms. Large firms are more likely to use contingent workers than small firms. However, small firms account for over 40% of the employment of contingent workers. Small firms are more likely to use contingent workers in blue-collar occupations such as precision production, craft and repair, operators, fabricators, and laborers.

The Role of Small Business: The Tale of Two Cities (1997).

George A. Erickcek, UpJohn Institute for Employment Research, Kalamazoo, MI.

Economic researchers and policymakers have debated the importance of small business to an area's economic health for nearly two decades. Findings from two recent W. E. Upjohn Institute research studies provide new evidence of the role of

small businesses in local economics and offer a more complete demographic profile of small-business owners. These two studies show that small-business owners in two different geographic areas (Cleveland, OH, and Kalamazoo, MI) share similar characteristics and face similar obstacles. However, they differ slightly in their opinions of what small-business assistance programs would be the most beneficial. Furthermore, the studies suggest that the economic development effect of small business may have been overemphasized in earlier studies. The findings further suggest that small-business development strategies may offer a more useful avenue for neighborhood/community development.

The Role of Small Firms in the Upward Mobility of New Immigrants (1996).

Dr. Steve Lustgarten, Parkway West, Mount Vernon, NY.

This study examines the frequency with which recent immigrants (those living in the U.S. for less than 12 years), earlier immigrants (those living in the U.S for more than 12 years), and native-born individuals are employed in small firms (fewer than 500 employees) as opposed to large firms. Specifically, the study addresses the question of "to what extent do new immigrants initially employed by small firms switch to large firms after accumulating experience and knowledge of English?"

Workplace Literacy Programs in Small- and Medium-Sized Firms (1993).

Dr. Kevin Hollenbeck, Upjohn Institute for Employment Research, Kalamazoo, MI.

More firms are implementing workplace literacy programs. As much as 25%-40% of the workforce lack the basic skills to understand written or verbal communications and are having problems adapting to changes in the workplace. Dr. Hollenbeck defines workplace literacy programs as those pertaining to the accumulation of human capital that is transferable to other jobs. Employers feel compelled to offer such training as competitive pressures demand the implementation of new technologies in a move toward what are commonly referred to as "high-performance workplaces."

Using a combined qualitative/quantitative approach, Dr. Hollenbeck estimates the linkage between workplace literacy programs and the reason for their existence — increased productivity requirements. He utilizes in-depth case studies as well as a large database to look at the costs and benefits of such programs, as well as the determining factors for why firms choose to implement literacy programs.

This book makes available essential information — including a list of resource organizations — for anyone interested in workplace literacy programs. While written in a clear fashion to be accessible to employers and policymakers, students of workplace literacy programs also will find empirical evidence supporting his findings.

Job Training Approaches and Costs in Small and Large Firms (1993).

Dan A. Black, Mark C. Berger and John Barron, University of Kentucky, Lexington, KY.

According to this study, small firms appear to provide general workplace training, while large firms provide firm-specific training. Small firms provide fewer total hours of employee training during the first three months than do large firms. Small firms, however, provide more training to new employees with less than 12 years of schooling, and a comparable amount of training to new hires with no previous work experience. Although small firms provide less training, wages grow faster in the first two years of employment in small firms than in large firms. Small firms are less likely to provide remedial training or to hire workers through government-sponsored training programs. Only 16% of firms with fewer than 25 employees have hired workers through such programs versus 44% of firms with 500 or more workers.

Workplace Education Efforts in Small Business: Learning from the Field (1991).

Lauren K. Clausen, David A. Drury, and Mary P. Vencill,
Berkeley Planning Associates, Oakland, CA.

This study shows that firms with fewer than 500 workers provide about half of all jobs in the economy and that their workers are more likely than others to have low levels of formal education. Small-firm respondents pointed to several workplace-education needs, including the need for more awareness of constraints faced by small-business managers, sliding-scale fee structures that favor small firms, increased training in effective workplace-education practices, funding for small-business education efforts, and more flexibility in using existing job training and education funds.

Older Workers in the Labor Market (1991).

Mark C. Berger, John E. Garen, Frank A. Scott, and Richard Thalheimer, Thalheimer Research Associates, Inc., 107 West Short Street, Lexington, KY.

This study uses a data set drawn from The Census Bureau's Current Population Surveys for 1979, 1983, and 1988, and a 1991 SBA survey of employers to look at trends in the employment of older workers. Small firms were found to hire disproportionately more older workers than large businesses overall, and to hire disproportionately more older workers than younger workers in part-time jobs. If private pension plans change their rules to coincide with Social Security, then more workers should remain in their jobs past age 65, and fewer individuals would be available to small businesses for second, part-time careers.

Small-Business Formation by Unemployed Workers (1991).

David S. Evans and Linda S. Leighton, CERA Economic Consultants, Inc., P.O. Box 159, Old Greenwich, CT.

Little is known about the propensity of unemployed workers to start small businesses in the absence of governmental assistance or about the success of firms started by unemployed workers relative to that of firms started by wage workers. This report uses data on employed and unemployed workers who started businesses to examine these issues. Its major source of data consists of some 300,000 labor-market participants who were included in the Current Population Surveys between 1968 and 1987 and for whom data are available for two consecutive years.

Labor Turnover and Worker Mobility in Small and Large Firms: Evidence from the SIPP (1988).

David Drury, William Dickens, and Christopher Martin, Berkeley Planning Associates, 3200 Adeline Street, Berkeley, CA.

This study addresses the issue of whether small firms have higher separation and hire rates than large firms. More generally, it explores the potential of The Census Bureau's Survey of Income and Program Participation (SIPP), a relatively new database, to describe small and large business workforce characteristics, and to track worker mobility over time.

Employment and Training Opportunities in Small and Large Firms (1988).

Sheldon Haber, Joseph Cordes, and James Barth, Simon & Co., Inc., 8808 Stonehaven Court, Potomac, MD.

This study found that small establishments are more likely to hire part-time workers, workers with weak attachment to the labor force, less-educated workers, and older workers. Also, small firms hire disproportionately more workers during a recession than during an expansion.

Implications of the Declining Supply of Entry Level Workers for Small Firms (1987).

Douglas M. Brown, Georgetown University, Department of Economics, Washington, D.C.

This paper shows that increases in prime-age, female labor in entry-level jobs have more than offset the recent decline in youth-labor supply. Where higher labor costs have been encountered, owners of small businesses have worked more hours.

On-the-Job Training in Small Business (1986).

John H. Bishop, Bishop Associates, 4950 Gilkeson Road, Waunakee, WI.

Using data from a national survey of employers conducted in 1982, this report looks at the amount of on-the-job training offered to workers in large and small firms; how previous vocational training relates to such measures as productivity and wages; and, whether the less bureaucratic nature of small firms enables them to receive greater benefits from hiring previously-trained workers.

Early Jobs and Training: The Role of Small Business (1986).

Bradley R. Schiller, Capitol Research, Inc., 4323 Hawthorne Street, NW, Washington, D.C.

Small businesses are the preeminent provider of early work experience and training for both in-school and out-of-school youth. This study indicates that young men in small businesses are exposed to a greater variety of tasks than those in large businesses, and develop a broader range of marketable skills, thus making these individuals more attractive to larger firms who offer higher wages. This causes a problem for small businesses trying to retain newly-trained workers. The low retention rate can reduce a firm's return on its training investments and may result in a competitive disadvantage.

Exchange Programs for Small Businesses and the Schools: Planning Project (1985).

Michael D. Usdan, Institute for Educational Leadership, 1001 Connecticut Avenue, NW, Suite 310, Washington, D.C.

Although small firms hire and train more than half of all new workers, there has been little emphasis on developing concrete relationships between small businesses and school systems in the areas of entrepreneurship and job training. The purpose of this study was, through four pilot efforts located in Massachusetts and Washington, D.C., to document the process by which small businesses and educators might develop job-training exchange programs.

Employee Characteristics and Firm Size: Are There Any Systematic Empirical Relationships (1984)?

James R. Barth, Joseph I. Cordes, and Sheldon Haber, Rockville, MD.

According to this study, jobs generated by small businesses are more likely to be filled by younger workers, older workers, and female workers. Included in the small-business workforce are greater numbers of those previously-unemployed and those out of the workforce, such as retirees, homeworkers, and students.

Employment Disincentives and Small Businesses: A Pilot Study (1984).

Herbert R. Northrup and Evelyn M. Erb, The Wharton School, University of Pennsylvania, 3733 Spruce Street, Philadelphia, PA.

The purpose of this study was to determine, through a pilot survey, which government regulations affect small businesses, to what degree the impact of those regulations were beneficial or adverse to small businesses, and how these regulations affected their employment practices. Chief executives of 20 small firms — all located in the mid-Atlantic region — were surveyed.

Human Capital Transfers from Small to Large Businesses (1982).

Bradley R. Schiller, Capitol Research, Inc., 4323 Hawthorne Street, NW, Washington, D.C.

Based on a national longitudinal sample, this report quantifies the difficulty that small businesses have in retaining trained workers. It also highlights the risks and

disincentives small businesses confront in providing more employee training, especially in the face of a general exodus of trained workers from small firms to larger ones.

New Career Opportunities: Summary of a Survey of Past Participants (1982).

Alfred E. Osborne, A. E. Osborne Associates, 3350 Coy Drive, Sherman Oaks, CA.

Older Americans are an under-utilized resource for the U.S. economy. This study examines New Career Opportunities (NCO), a program that seeks to turn the talents of older Americans into profitable home-type businesses. NCO encourages retired individuals to go into the workplace and reinvolve themselves, and suggests that playing an entrepreneurial role in a small, home-based business is a more meaningful and rewarding alternative to an idle, boring, and unproductive retirement.

APPENDIX B

RISEbusiness Mission

Founded in 1976, RISEbusiness is based in Washington, D.C. and operates as a nonpartisan, non-advocacy, nonprofit, 501(c)(3), tax-exempt corporation. RISEbusiness is the premier organization dedicated to eliminating the existing "information deficit," a critical market gap for those who can aid or influence the formation and growth of small and emerging businesses (SEBs), and paramount to the forward movement of the global economy.

The mission of RISEbusiness is to:

- Commission, manage, and disseminate high-quality policy, market, and field research on the contributions, needs, future trends, and best practices of SEBs;
- Serve as an independent repository and clearinghouse of research, data, and information on SEBs; and,
- Provide a unique, nonpartisan forum, network, and an intermediary for policymakers, corporations, business associations, and other strategic partners seeking to learn how to better identify, define, understand, reach, and serve the SEB marketplace.

The RISEbusiness Board of Directors provides corporate governance and strategic direction. Board members are nationally-recognized leaders within the SEB community, successful entrepreneurs, corporate executives, and providers of professional services to the SEB sector.

RISEbusiness Officers

Mark L. Kutner, Chairman
CERA

Allen Neece, Vice Chair
Turn Key Office Solutions, LLC

Donna H. Engelson, Vice Chair
The Leadership Edge

James S. Hostetler, Secretary
Kirkland & Ellis LLP

Thomas J. Raffa, Treasurer
Raffa & Associates, P.C.

RISEbusiness Directors

Robert Buller
The Buller Group, LLC

Charles A. Cadwell
IRIS, University of Maryland

Joe Diodati
Cisco Systems

Lori J. Doyle
Unisys Corporation

Lee W. Frederiksen
The Gemini Effect

Michael K. Hassett
Verizon Communications

Laurence K. Hayward
VentureLab Inc.

Larry Kesslin
Let's Talk Business Network

RISEbusiness Personnel

Mark Schultz
President & CEO

James H. Lagos
Lagos and Lagos

Robert S. Lee
Hotwatt, Inc.

David E. Martin
M-CAM

Patty Obermaier
The Alleris Group

John J. Polk
Muldoon Center for Entrepreneurship

Paul Serotkin
Minuteman Ventures

Frank S. Swain
Baker & Daniels

Cathy Walters-Gillick
Small Business Success Advisors

RISEbusiness Strategic Partners

Another main strength of RISEbusiness is the unique network of strategic partnerships it has formed with national organizations representing all sub-sectors of the SEB community. These strategic partnerships provide an additional network for peer-to-peer learning, and a vehicle for dissemination of project findings and lessons learned.

Brien Biondi
Young Entrepreneurs' Organization (YEO International)

Richard Bright
CEO Business Forum

Joan Gillman
U.S. Association for Small Business & Entrepreneurship (USASBE)

Joline Godfrey
Independent Means Inc.

Sharon G. Hadary
Center for Women's Business Research

Lisa Hawkins
American Small Business Alliance (ASBA)

Mark Lange
The Edward Lowe Foundation

Todd O. McCracken
National Small Business Association (NSBA)

Amy Millman
Springboard Enterprises

John F. Robinson
National Minority Business Council (NMBC)

Appendix B

John S. Satagaj
Small Business Legislative Council (SBLC)

Andrew J. Sherman
McDermott, Will & Emery

Beverley Williams
American Association of Home-Based Businesses (AAHBB)

APPENDIX C

Project Interviewees and Resources

Business Community Leaders

Leon Bailey, Dianon System, Inc. (Bridgeport, CT site visit)
Brien Biondi, Young Entrepreneur's Organization
Ginger Blazier, Directions in Research (San Diego, CA site visit)
Rick Burke, The Ronco Group (Jacksonville, FL site visit)
Arlene Cahill, Landmark Protection (Sunnyvale, CA site visit)
John Carney, Carney Interactive (Metro D.C. site visit)
Donna Cedervall, Los Altos Sub-Acute/Rehabilitation Center (Sunnyvale, CA site visit)
Matt Coffey, National Tooling & Machining Association
Howard Collins, Geico Direct (San Diego, CA site visit)
Ben Cooper, Printing Industries of America, Inc.
John Cronin, PLP Digital Systems (Metro D.C. site visit)
Michael Cummings, Enterprise North Florida Corporation (Jacksonville, FL site visit)
George Dunbar, U.S. Baird (Bridgeport, CT site visit)
Joe Ercolano, Pitney Bowes (Bridgeport, CT site visit)
Gary Feldman, U.S. Computer Corporation (Bridgeport, CT site visit)
Diane Gamberg, Kaiser Permanente (Sunnyvale, CA site visit)
Kate Gilleran, Robbins Science (Sunnyvale, CA site visit)
Dan Gilligan, Petroleum Marketers Association of America
Scott Hauge, Cal Insurance and Associates (Metro D.C. site visit)
James Hervey, National Association of Convenience Stores
Greg Higgins, Pennsylvania Small Business Development Center
Richard Hughes, Appliance Recycling (Jacksonville, FL site visit)
Eustace Kangaju, Temple University (PA) Small Business Development Center
Judy Lawton, TLC Staffing (San Diego, CA site visit)
W.O. (Bill) Lawton, Lawton's Travel Service, Inc. (Metro D.C. site visit)
Michael Maguire, Enterprise North Florida Corporation (Jacksonville, FL site visit)
Todd McCracken, National Small Business Association
David McCune, McCune Technology (Metro D.C. site visit)
Mary McKinney, Duquesne University (PA) Small Business Development Center

Sharon Miller, ITH Staffing Solutions (Metro D.C. site visit)
Dan Miranda, Landmark Protection (Sunnyvale, CA site visit)
Bob Morgan, Council of Growing Companies
Ralph Nappi, American Machine Tool Distributors' Association
David Nourse, Chittenden Bank (Vermont site visit)
Joe Panetta, BIOCOM (San Diego, CA site visit)
Maritza Rodriguez, Sandicast (San Diego, CA site visit)
Ted Rose, Rose Financial Services (Metro D.C. site visit)
Conley Salyer, West Virginia Small Business Development Center
Clysta Seney, Applied Materials (Sunnyvale, CA site visit)
Jonathan Sklar, Spexus (Metro D.C. site visit)
Brad Smythe, Owens-Brockway (Bridgeport, CT site visit)
H.M. (Hap) Stoller, TPL, Inc. (Metro D.C. site visit)
Dan Turner, Turner Consulting Group (Metro D.C. site visit)
Chip Vara, Enterprise North Florida Corporation (Jacksonville, FL site visit)
Leonard Wilson, First Essex Bank (Metro D.C. site visit)
Milan Yager, National Association of Professional Employer Organizations
Stu Youngentob, Arkin-Youngentob Associates (Metro D.C. site visit)

Workforce Development Community Leaders

Bob Baldwin, Jacksonville (FL) Chamber of Commerce
Barbara Baran, Workforce Learning Strategies (Winchester, MA)
Tim Barnicle, National Center on Education and the Economy
Jane Barto, Iowa Workforce Development
Julie Bennett, Baltimore Development Corporation
Terri Bergman, San Diego Workforce Partnership
Suzi Blackman, Sunnyvale (CA) Chamber of Commerce
Crawford Blakeman, Eastern Kentucky C.E.P.
Laura Caccia, NOVA Workforce Board (Sunnyvale, CA)
Mark Cafferty, San Diego Workforce Partnership
Joe Carbone, Southern CT Regional Workforce Development Board
Katie Cashen, National Association of State Workforce Agencies
Gretchen Rhines Cheney, National Center on Education and the Economy
Scott Cheney, U.S. Chamber of Commerce
Mary Clagett, National Center on Education and the Economy

John Colbert, National Center on Education and the Economy
Karen Coleman, New York State Department of Labor
Chris Cooney, MetroSouth (Brockton, MA) Chamber of Commerce
Jerry Copeland, WorkSource (Jacksonville, FL)
Mike Curran, NOVA Workforce Board (Sunnyvale, CA)
Karen Davis, Sunnyvale, CA Department of Community Development
Michael Dorey, Central Vermont Workforce Investment Board
Mable Duke, Eastern Kentucky C.E.P.
Robin Dunn, WorkForce Essentials, Inc. (Clarksville, TN)
Mary Emery, Heartland Center for Leadership Development (Idaho)
Chip Evans, Vermont Human Resources Investment Council
Bruce Ferguson, WorkSource (Jacksonville, FL)
Larry Fitch, San Diego Workforce Partnership
Richard Flies, Vermont Tech
Susan Gainey, Long Beach, CA Career Transition Center
Dan Gentile, Capital Region Workforce Investment Board, New York State
Anne Ginevan, Vermont Human Resources Investment Council
Lynn Grafel, WorkSource (Jacksonville, FL)
Geri Guardino, Rhode Island Human Resources Investment Council
Virginia Hamilton, California Workforce Association
David Hunn, Northern Virginia Workforce Investment Board
Rosanna Indie, San Diego Workforce Partnership
Ross Jackson, WorkForce Essentials, Inc. (Clarksville, TN)
Lydia Johnson, Oklahoma Employment Security Commission
Walter Johnson, WorkSource (Jacksonville, FL)
Susan Jones, WorkForce Essentials, Inc. (Clarksville, TN)
Tony Joseph, New York State Department of Labor
Chris King, Center for the Study of Human Resources, University of Texas
Bob Knight, National Association of Workforce Boards
Mary Kay Kuss, Concho Valley, TX Workforce Development Board
Carla Leap, Arlington County, VA Employment Center
Christine LeMay, NOVA Workforce Board (Sunnyvale, CA)
Kari Matsumoto, NOVA Workforce Board (Sunnyvale, CA)
Michael McCarthy, The Center for Capacity Development (Bridgeport, CT)
Meggan Mensinger, Long Beach, CA Workforce Development Bureau
Carolyn Miller, Southern Maryland Works, Inc.

Candace Moody, WorkSource (Jacksonville, FL)
Maggie Moree, New York State Department of Labor
Eric Nelson, Philadelphia Workforce Investment Board
Ron Painter, Three Rivers Workforce Investment Board (Pittsburgh, PA)
Adrienne Parkmond, Southern CT Regional Workforce Development Board
Sally Patch, Jacksonville (FL) Chamber of Commerce
Roy Peters, Oklahoma Alliance for Manufacturing Excellence
Stephanie Powers, National Association of Workforce Boards
Bill Purcell, The Greater Valley (CT) Chamber of Commerce
Kathy Puryear, NOVA Workforce Board (Sunnyvale, CA)
Winter Renwick, NOVA Workforce Board (Sunnyvale, CA)
Pat Richards, NOVA Workforce Board (Sunnyvale, CA)
Sheri Rossillo, Long Beach, CA Workforce Development Bureau
Marla Rye, WorkForce Essentials, Inc. (Clarksville, TN)
Alice Savino, Madison / Herkimer / Oneida Workforce Investment Board, New York State
Marilyn Savoy, Franklin County, VT Workforce Investment Board
Anna Schulman, NOVA Workforce Board (Sunnyvale, CA)
Eric Seleznow, Montgomery County, MD Department of Economic Development
Barb Stracka, Southern CT Regional Workforce Development Board
Cordell Thomas, San Diego Workforce Partnership
Brandi Turner, San Diego Workforce Partnership
Ray Uhalde, National Center on Education and the Economy
Jeff Whitehead, Eastern Kentucky C.E.P.
Scott Wilderman, Career Resources, Inc. (Bridgeport, CT)
Kristen Wolff, Worksystems Inc. (Portland, OR)
Ray Worden, Long Beach, CA Workforce Development Bureau
Eileen Zewski, Holyoke (MA) Chamber of Commerce

APPENDIX D

Interview Questions (Business Owners Only)

Background Information on the Local Community

- How have the labor force demographics (e.g., age, ethnicity) and characteristics of your local community / state (density, nature of businesses, etc.) affected your ability to hire and retain employees and to do business successfully here?
- How has the economic climate of your local community / state (e.g., job growth, unemployment, competition) affected your ability to do business successfully here?
- What is your experience with the local / state workforce investment board (WIB) and the local / state service delivery network (e.g., have you served / do you serve on the WIB? have you received services from the WIB and / or a One-Stop Career Center?)? How would you characterize your experience? If you have had only limited / no experience, why is that? What would it take for you to become more involved?
- From your perspective, what do you know about the recent history of your local workforce area (activities, priorities, results, successes, on going challenges)?

Initiatives Addressing Small & Emerging Business (SEB) Needs

- Have you heard of or experienced any unique / innovative strategies or approaches to identify, define, or address the needs of small and emerging businesses (SEBs)?
- Is it apparent to you that the local WIB has targeted SEBs or particular industry sectors in their initiatives? In what ways has it come to your attention?
- Are you aware of the process the local WIB used / uses to collect data (both original research and / or other data sources) and to conduct needs analyses on the needs of SEBs? Do you feel that this process adequately defined / defines the important issues and led / leads to relevant services and solutions?

- What other local organizations (e.g., community colleges, economic development organizations, small-business and industry associations, consultants, etc.) have you used for needed services and what roles have they performed (e.g., hiring, screening, assessment, training)?
- How do you evaluate the effectiveness and impact of any services you receive(d)?

Lessons Learned to Date

- Based on your experience to date, how do SEBs and large companies differ when it comes to their respective human capital needs, and the way the workforce system serves their respective needs through information and services available?
- What problems have you encountered at any stage of your involvement with the workforce system, and how have these problems been addressed?
- What successes have you achieved as a result of the assistance you received from the workforce system, and what insights can you share into the keys to your success?
- Were you to start over, would you contact the workforce providers again for help?
- How do you see your activities/experience as being relevant to other employers?

Provisions of Specific Services

We have listed below a series of Human Resource functions that all businesses face daily. These HR functions are costly and often require specialized talents and skills to perform. Please assess each HR function and provide responses to the following:

1. How do you currently perform this HR function? Internally? Via external support?
2. How would you rate your current satisfaction with this approach?
3. How do you plan to perform this HR function more efficiently in your company?
4. How could governmental services and resources better assist you (if at all)?

Key HR Functions

- Employee (mid-level / entry-level) recruitment / screening, including foreign nationals.
- Executive and senior management recruitment / screening.
- Assessment of job candidate skills, aptitudes, suitability, and background.
- Defining / profiling job skill and job knowledge requirements.
- Matching applicants with job requirements.
- Providing "soft-skills" training for new employees (e.g., communications skills, personal responsibility, on-the-job behavior).
- Providing new employees with job-specific skills training.
- Providing existing employees with skill-upgrading.
- Assisting redundant employees with career transition and outplacement services.
- Human resources planning (e.g., analysis of future workforce needs, new recruitment / hiring / retention / training strategies, succession planning, compensation analysis / planning, regulatory compliance, labor-market information / analysis).

Service Providers	Services Received	Satisfaction
One-Stop Centers		
Community Colleges		
Economic Dev't Org'ns		
Industry Associations		
Local Chamber		
Consultants		
Small Biz Dev. Centers		

APPENDIX E

Phone Interview Questions (Workforce Leaders)

Data Collection and Needs Analysis

1. Describe the current / future role of small and emerging businesses (SEBs) in your local / regional economy?
2. What are the major current / future needs of this sector?
3. How did / do you ascertain this? Did / do you use labor market information, market research and analyses, or other data to better understand the role of SEBs in your economy and their needs?
4. How did / do you define "small business" and "emerging business" for your work? Did you engage / do you engage / do you plan to engage in formal market segmentation (by employee size, industry sector, stage of growth / development, or other categories)?
5. Have you undertaken or do you plan to undertake a community audit in your area? If so, what have you learned / what do you expect to learn from your community audit (via employer surveys, targeted interviews, and focus groups) about unmet needs in the small-business sector?
6. Have you undertaken or do you plan to undertake any other original research (employer surveys, interviews, etc.) in order to better understand this sector and its needs?
7. How would you characterize the current level of consciousness and sophistication within your community, particularly within your local WIBs and One Stop Career Centers, about the importance of delivering services to SEBs?

Planning and Initiative Design

1. What process did you use / do you use / do you plan to use in this phase to define and develop a strategy to address identified needs?
2. Did you follow / are you or will you be following another state or community model?

3. What organizations (public and private sector) have emerged / are emerging / are expected to emerge as effective partners and allies in this phase?
4. What role did / do / will local economic development organizations play in this phase? CBOs? Business intermediaries (e.g., local chamber of commerce, local chapter of a trade association, manufacturing extension center)?
5. What role did / do / will state officials play, if any, in this phase?
6. What sources of funding supported / support / will support your planning and initiative design efforts?
7. What level of staffing was / is / will be required in order to undertake this phase?

Implementation

1. What types of initiatives, services, information, etc. do you / will you offer SEBs? Do you / will you derive revenues from these offerings? How did / do / will you decide which services to offer or not to offer? What types of SEBs are most inclined to use the services of the workforce system? For what services?
2. How did / do / will you decide on the implementation approach, target audience, etc.?
3. What segment(s) of the SEB sector were / are / will be targeted?
4. Do you have / will you have any written or electronic information available about your implementation activities?
5. Have you developed or implemented / are you or will you be developing or implementing an outreach strategy to reach segments of the SEB sector? If so, how did you market / do you market / do you plan to market the effort to target these businesses? If not, why not?
6. What obstacles did / do you encounter or expect to encounter in implementing (and, designing) the initiative?
7. What organizations did / do / will you partner with in the implementation of the initiatives?

Evaluation

1. What is your overall evaluation of how well your community / state connects SEBs to your public workforce development system? If asked to assign a grade on a scale of A through F, how would your community / state score? More specifically, what successes have you achieved to date as a result of these efforts? More specifically, what shortcomings or disappointments have you experienced to date?
2. What performance metrics were used / are being used / do you plan to use to measure success? How did you collect / do you collect / do you plan to collect data / information on these metrics / measures?
3. Have there been / will there be independent assessments of your accomplishments? If so, has / will the experience of your community / state in serving SEBs' needs been / be documented either through independent third-party writing, or through word-of-mouth recommendations regarding your strategy / impact / commitment?
4. Based on your experience to date, are there some lessons to be learned for other communities / states (that have different service delivery systems and economies) interested in undertaking this or a similar type of effort?
5. What would you do differently if you were starting over, and what changes, if any, already have been made?
6. What do you see as the next step(s) for building on your work to date?
7. If you were a member of our project team, what one or two communities / states would you recommend that we visit in search of specific strategies that have been or have the potential to be employed effectively, using labor market analysis, market segmentation, and targeted strategies?

APPENDIX F

Site Visit Questions

Background Information on the Local Community/State

- How would you characterize the demographics of your local community/state (urban, rural, suburban, size of businesses, etc.)?
- How would you characterize the economic climate of your local community/state (key industries, unemployment, etc.)?
- What is the structure of the local/state WIB and the local/state service delivery network?
- Who are your most visible local/state partners (employers, community colleges, economic development organizations, small-business and industry associations, etc.)?
- What is the recent history of your local/state workforce area under WIA (your activities, priorities, results, notable successes, ongoing challenges, etc.)?

Initiatives Addressing Small & Emerging Business (SEB) Needs

- Did the local/state WIB use any unique/innovative strategies and approaches to identify or define or address SEB needs?
- Can you identify a particular catalyst or impetus for change in targeting SEBs?
- What was your rationale for targeting SEBs or particular industry sectors?
- What was the process you used to collect data (and, did you use original research and/or other data sources?), and/or to conduct needs analyses that would help define or support your strategies and rationale?
- How did you go about your planning and initiative design?
- Could you describe your implementation process?
- How do you evaluate the effectiveness and impact of your strategies?
- Could you describe the roles and responsibilities of those internal to the

workforce system (WIB, WIB staff, One Stop staff), as well as those external to the system (different partners and participants) in designing and implementing the strategies?

Lessons Learned to Date

- Based on your experience to date, how do SEBs and large companies differ when it comes to their respective human-capital needs, and the way the workforce system serves their respective needs?
- What problems have you encountered at any stage of the process, and how have these problems been addressed?
- What successes have you achieved, and what insights can you share into the keys to your success?
- Were you to start over, what alternative strategies or methods would you consider?
- What are the next steps you plan to take to build on your efforts to date?
- How do you see your activities / experience as being relevant to other local communities / states located in other parts of the country?

APPENDIX G

RISEbusiness Project Team

Mark Schultz, president and chief executive officer of the Research Institute for Small & Emerging Business (RISEbusiness), has nearly thirty years' experience working with and on behalf of small and emerging businesses. Mark served as executive director of the Third White House Conference on Small Business. Prior to that, Mark spent ten years with the U.S. Chamber of Commerce, where his responsibilities included the Small Business Center, labor and employee benefits issues, business-government policy, and regulatory affairs. While at the U.S. Chamber, Mark was small-business correspondent for its television news program, *Nation's Business Today*.

He also served as president of the Professional Services Council (PSC), representing large and small companies within the professional and technical services industry. In addition to working on a variety of business-related issues on Capitol Hill as well as in private practice at the Washington, D.C. law firm of Shaw, Pittman, Potts & Trowbridge, Mark has been an adjunct assistant professor at The George Washington University, teaching a business-government relations course in their graduate school.

Mark Troppe, RISEbusiness project director, has nearly twenty years' experience in the workforce development field. Mark works primarily with state and local government clients to develop relationships among workforce and economic development organizations, to ensure that regional development agencies are demand-driven and integrate all available resources. He is co-author of a course on "Introduction to Economic Development for Workforce Leaders" for the National Association of Workforce Boards (NAWB).

He started his career at the U.S. Department of Labor as a Presidential Management Intern, addressing workforce development and high-performance work issues in the Employment and Training Administration for almost ten years. Mark subsequently worked for the U.S. Department of Commerce's Manufacturing Extension Partnership program as manager of workforce initiatives for small

manufacturers, and as Director of Training for a professional services / application support provider company (USWeb).

John Dorrer, RISEbusiness project senior researcher, has nearly thirty years' experience as a labor economist, workforce analyst, and program administrator at the national, state, and local level. John consults the U.S. Department of Labor and works with various state and local workforce agencies on the use of labor market information, strategic planning, program evaluation and design, capacity-building, and job search strategies and the emerging labor force.

Prior to that, he worked for twenty years as a senior executive at Training & Development Corporation, where he designed, implemented, and administered innovative workforce programs and information systems. He also teaches labor economics as an adjunct assistant professor at the University of Maine. He is the author of numerous articles and publications about workforce development and the labor market.